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PROGRESSIVE LABOR MAGAZINE

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—————*In this issue:*—————

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page 3

The Enemy Is Capitalism

The miners' violent struggle points the way for all workers. United multi-racial action can beat the bosses. However, limited only to a trade-union outlook, which compels the battle to stay within the bosses' rules, it can only lead to further defeats. Workers' action, armed with Marxism-Leninism—of which armed struggle is a crucial component—is the recipe for final victory.

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War or Revolution

U.S.-Soviet rivalry for world domination inevitably will lead to World War III. U.S. bosses are slipping badly in the face of increased Soviet competition, especially in Africa. The Soviet imperialists are stringing a world-wide noose for U.S. competitors. Workers have no stake in supporting either side in this battle between thieves. Workers must opt for state power in their own countries under the banners of socialist revolution.

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May Day 1978

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The Falling Rate of Profit

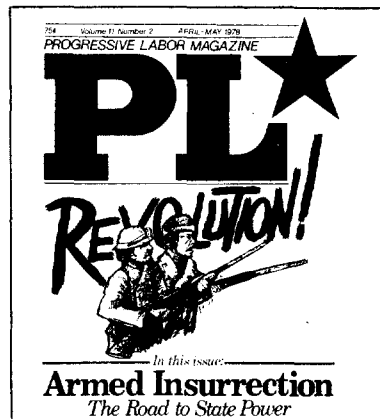
As world markets shrink for U.S. bosses, the ability to extract maximum profits lessens. Consequently, the loss in maximum profits must mean a falling rate of profit. A long time ago Marx and then Lenin pointed out the inevitability of the falling rate of profit for imperialists. This is the economic Achille's heel of all bosses.

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Blood Harvest

The articles appearing in PL Magazine are published because the editorial board believes they are generally useful to the political ideological development of the international revolutionary communist movement. However, only the editorial and documents of the National Committee of the Progressive Labor Party represent the official policies of PLP.

notes & comment



On Armed Insurrection

Regarding "Armed Struggle"

I would like to raise a criticism of a small part of the N.C. report, "The Armed Struggle for Workers' Power. The paragraph in the section "Under What Circumstances will Revolution in the U.S. be Taking Place" which begins "If the Imperialists succeeded in having a primarily non-nuclear war..." In this paragraph it is stated that we need to seize nuclear missiles, etc., "as a threat against the Russian ruling

class."

I cannot conceive any situation in which it would be proper to use offensive nuclear weaponry after seizing state power. Nuclear bombs aren't going to frighten Russian bosses. Rather their use would fry millions of Russian workers. I believe it is totally invalid to even think of making use of these weapons. What this approach leaves out is the Russian workers. How would nuking out a few workers contribute to the re-establishment of workers' power in Russia! To my mind, not at all. The Russian bosses are not free to unleash an unprovoked attack on a socialist U.S. They, just like today's bosses in the U.S., would have to justify the mass destruction of U.S. workers to their own working class.

This position violates any concept of relying on the workers. Rather it relies on bourgeois concepts of armed struggle. Our goal must be Socialist revolution in the USSR not military destruction of the country and its workers.

I propose that after we seize state power and have seized the missiles from the hands of the bosses that we bury all offensive nuclear weapons, announce world wide our intention never to carry out the atro-

cities involved in the use of such weapons against any of our brothers and sisters anywhere in the world, and call upon our comrades in Russia and elsewhere to assure such weapons are not unleashed against us. The security of a socialist U.S. will rely on fomenting revolution world wide, not in classic bourgeois "methods of war." I propose this paragraph be substantially amended before this article is reprinted in the magazine or elsewhere.

Keith Hersh
Amherst, Maine

1. CORRECTION. The lead article, "Armed Insurrection", in the last issue of PL (Volume 11, No. 2, April-May 1978), was an EDITORIAL, and represents the official position of Progressive Labor Party. This fact was omitted by mistake.

Also omitted was the bibliography attached to the article. A copy may be obtained by writing to the Editors of PL Magazine.

Finally, there are two misprints on p. 9 of the same article: for Komilov read "Kornilov"; for Khalkin-Gol, read "Khalkin-Gol".

2. WE WELCOME CORRESPONDENCE

WITH OUR READERS! We also welcome articles to be considered for publication in PL Magazine, as well as the submission of original photographs for inclusion in a photographic essay, like May Day centerfold in the present issue.

Please send all photos, responses, criticisms and articles, to

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Please mark "Do Not Bend" and insert cardboard into any envelope containing photographs.

MINERS' STRIKE:

The Enemy Is Capitalism

The biggest single lesson of the 15-week miners' strike is its demonstration of the need for communist ideas and leadership, the need for Socialism to solve the problems of the miners and the whole working class. Whatever was lost in this strike, whatever obstacles were placed in the miners' path can be traced to the fact that the coal operators, and the bosses in general—the ruling class—hold state power and control the capitalist system, their system. Whatever positive results emerged from the miners' struggle grew from consciousness of, and actions around, ideas that communists have championed in word and deed for over a century. This understanding can lead to sharper class struggle and realization of these goals.

The fact is, the miners were forced to fight essentially a defensive battle, to prevent previous gains from being taken away (although many times they went on the offensive tactically). Because U.S. bosses are in a general long-range decline, not only are they unable and unwilling to make concessions, they are driven to take back many concessions wrung from them in the past unless absolutely forced to the wall. Militant as the miners were, they were unable to make the bosses back down.

Being in decline relative to the rest of the capitalist world, and facing the problem of energy shortages and dependence on foreign oil to keep the U.S. economy from collapsing, the bosses entered this battle making demands which would squeeze the miners into giving up wildcat strikes against contract violations, safety hazards, etc., and into paying for

part of their formerly free medical benefits. In addition, the bosses wanted "incentive" schemes to hike miners' "productivity"—speed-up. All this had the aim of mining more coal at a cheaper cost with less opposition from the mine workers.

Given that strategy, the coal operators and their cohorts in the rest of the ruling class, including the federal, state and local governments, were prepared to use much of their power and control of the system to thwart the miners' every step taken to maintain a solid strike. The fact that the bosses had started this process long **BEFORE** the strike began, by increasing coal production from unorganized scab mines from 30% in 1974 to 50% in 1977, already put the miners in UMW mines at a distinct disadvantage. When the miners took the offensive against these scab mines, using armed force or the threat of it to shut them down and curb the distribution of scab coal, the bosses used much of their still-existing power to circumvent these actions.

Through a combination of feeding electric power from other regions into the eight hard-hit, coal-fired electric power states; of using diesel generators in certain key Ohio auto plants to maintain the supply of parts; of mounting an organized protection of scab coal, especially its transportation, by heavily armed groups of state troopers (and National Guardsmen in Indiana), and patrols from the sky; and the arrival of warmer weather reducing somewhat the need for coal—all this combined to overcome the effects produced by the miners' actions. To combat this power, the miners would have had to raise the ante considerably, in conjunction with other industrial workers (of which more shortly).

This gradual but inexorable mounting of ruling class power cost the miners some previous hard-won gains: they lost free medical and drug care (forcing them to pay a \$200 deductible annually), eliminating preventive medicine by the necessity to pay for part of the initial 20 doctor visits a year; failure to equalize pensions for pre-1976 retirees; introduction of "incentive" plans leading to greater safety hazards; a future contract expiration date in March (not December), putting them at a further disadvantage in 1980 if they are forced to strike just prior to warmer, not colder, weather.

In addition, they are still saddled with previous arbitration decisions which permit the firing of wildcat strikers.

And the wages won amount to a **net** gain of 9% over three years, given a 6% inflation rate (and inflation is now running at nearly 10% annually). Any "gain" may very well be wiped out by the medical-drug deductibles, if inflation doesn't do it alone. This occurs alongside the increased potential for black lung, murder and maiming in the mines, all growing out of the sped-up drive by the coal operators, and the bosses as a class, for more coal as an energy source.

OFFENSIVE goals for the miners would have meant fighting for the 6-hour day at 8 hours pay (passed as a No. 1 contract demand at their '76 convention); for an increase in older retirees' pensions to the level of the post '76 retirees; **expansion** of medical benefits; more iron-clad worker-controlled guarantees over safety and elimination of supervisors who flaunt tighter safety rules; and the contractual right to strike over grievances.

The fact that a majority of those miners who voted cast their ballots for a "take-away" contract can be traced to a variety of causes: (1) the economic pinch of nearly four months without a paycheck was beginning to tell; (2) warmer weather and greater flexibility in dealing with coal shortages was lessening the impact of the strike; and, most important, (3) there was no nationally-led organized movement for a "no" vote—the only national "leadership" was Miller and the district leaders, and they were essentially in favor of the contract.

Given all that, still 43% of the rank and file who voted cast "no" ballots, an amazing percentage considering they had been out for 109 days. Had they rejected this third contract, they would have really needed **offensive** goals and actions to spread the strike, especially to other industrial workers. The fight that **was** made mainly prevented the bosses from taking away all that they had set out to do. In the course of the next three years, they will work on the rest.

But there were also many positive lessons for the miners and the whole working class growing out of this struggle, lessons which can be used in combatting and defeating the inevitable future onslaught from the bosses. One is the tremendous solidarity and multi-racial unity among the miners. Very rarely was there a break in the miners' ranks. Their opposition to the government was total, at least as reflected in the complete defiance of Carter's Taft-Hartley injunction which didn't get one lump of



Trucks destroyed by striking miners in Rockport, Ind. sit by roadside. The miners were trying to shut down B&M Coal dock.

union coal mined. The operators were unable to use racism to split the miners, although it still exists in areas where miners live and cannot be smashed until the system that spawns it—capitalism—is smashed.

The actions of the rank and file in fighting tooth and nail against the production and distribution of scab coal, many times with arms, is the only thing that created this strike in the first place and kept it going for 16 weeks. Imagine if this solidarity, multi-racial unity and violent armed struggle had been undertaken for **OFFENSIVE** demands, and by **the whole industrial working class simultaneously**, if steel and auto had struck along with the miners! "No contract, no work" under those conditions would have assumed the dimensions of a general strike by U.S. workers. While a positive

aspect of the miners' solidarity was its infectious nature, leading other workers to aid the miners, it did not reach the level of strikes in support of the miners.

This did not, and can not, happen as long as the labor movement is in the hands of the traitors who run it today. As long as Miller and Fraser, McBride and Meany, Wurf and Shanker, and the rest of their ilk maintain their power as junior partners of the bosses to keep the workers hemmed in, there is no chance for the all-out class war that a general strike would signal.

How close the miners were to dumping Miller can be seen in their invasion of UMW national headquarters in Washington, twice preventing votes by the Bargaining Council and forcing Miller and his gang to flee for their lives. Unfortunately, they didn't go all the way;

they didn't go in with the idea of **SEIZING** the headquarters and the union itself, by staying there and saying to the coal operators and their representative Carter, "Never mind Miller; **WE are the union**; you'll have to bargain with us, and not about Miller's demands, but about the 6-hour day."

As far as the rank-and-file miners **did** go (whether against the coal bosses, the Miller fakers or Carter), the obstacles each step of the way—to defeating the bosses, to going on the offensive, to dumping Miller, or to challenging the organized armed power set in motion by the federal and state governments—all of these obstacles can be traced back to one source: **CAPITALISM**, a bosses' system run for bosses' profits extracted by stealing much of the value created only by workers in the process of production.

It is capitalism that denies or impedes the right to strike; capitalism that squeezes deductibles or reduced pensions out of the miners; capitalism that killed 100,000 miners in this century; capitalism that uses state troopers and the National Guard to escort scab coal; capitalism that calls on other bosses (in this case oil-powered electric companies) to help out bosses affected by the miners' strike; capitalism that expands the production of scab mines and fights against their unionization; and capitalism that sets up the ground rules under which trade unions themselves must function.

Thus, for the miners to spread their strike, organize scab mines, challenge the organized armed power of the bosses, take up offensive demands, seize their union, oust the Miller "leadership," win other industrial workers to join their strike—to raise the ante in all these ways, the miners would have to operate **outside** the confines and ground rules of the capitalist system. They would need to move on the basis of **communist** ideas, ideas which challenge not merely coal bosses or a Miller or a Carter, but which challenge the capitalist system itself, which creates these oppressors.

Yet, even if that were to happen, it still would not be enough. Once miners (or any workers, for that matter) follow these ideas and leadership and raise the class struggle to such levels, it will initiate an **ALL-OUT COUNTER ATTACK FROM THE BOSSES**, because they will see it as leading to a life-and-death struggle for their capitalist system, not just a fight over medical benefits or who

leads a union. They will not want to let it get that far (which is why they acted the way they did during this strike); they will fight to kill, murder, assassinate the leaders and militants of such a movement.

So, in the last analysis (and, in a certain sense, right now), to wage any kind of battle against a desperate and declining ruling class such as the U.S. bosses represent, workers must be led by communists and communist ideas and be fighting for the goal of Socialism, which represents a movement bent on **DESTRUCTION** of the bosses and their system for a better contract or even a better union altogether, not merely a fight. It means that miners' safety underground is the **FIRST** consideration; because profits are eliminated. It means preventive health care for miners because the main sickness—capitalism—has been destroyed.

Thus, even to be able to organize around the 6-hour day, for rank-and-file leadership in the UMW, for unionization of scab mines, or to prepare for the inevitable wildcat strikes, miners must learn about, accept and join the Progressive Labor Party, must become communists themselves and use the communist ideas developed out of a 130-year-old world-wide movement to strangle the system which is strangling the miners and the whole working class.

This contract will not put a halt to the class struggle in the mines. On the contrary, it will only intensify it. We should welcome this class war and turn it to our advantage, building PLP among the miners and the entire working class with the aim of smashing the bosses' state power through communist revolution, and erecting workers' state power, Socialism. Anything short of that goal will keep us on the backward-sliding treadmill the bosses have us chained to, trying to squeeze their losses out of our hides.

The main lesson of the miners' strike is: **only communist-led workers leading the whole working class in smashing the bosses and their system can enable us to enjoy the fruits of our labors, can defeat all the obstacles capitalism puts in our way, as it did in this strike. Learning that lesson and building PLP is the one victory the bosses cannot take away from us. It will surely lead to the revolutionary destruction of capitalism, and its replacement by workers' rule—Socialism.**

"The primary contradiction in the world is between Soviet and U.S. imperialism."

War or Revolution

by
W. Blakelee

In 1975 our party estimated that the primary contradiction in the world was between Soviet and U.S. imperialism. We also believed that U.S. imperialism was in decline relative to other imperialists especially the Soviets. We concluded that these contradictions, particularly between the Soviets and the U.S. would lead to war.

Since we wrote this, nothing has happened to make us reconsider. In fact, the Soviet-U.S. contradiction has sharpened! This crucial contradiction is unfolding in classical Leninist patterns. There is no continent in the world in which the two imperialist powers are not competing for markets and political control.

As in any struggle, someone must come out on top. At this writing the outlines of this battle between the two competitors are becoming clear. Despite the ups and downs and twists and turns which take place in any fight, the Soviet imperialists are gaining ground.

Gradually U.S. imperialism is being pushed back in Europe, Asia, Africa and the sub-continent of the Mid-East. These developments have produced increased military expenditures and war preparations by both ruling classes; have led to continuous local wars; and edged closer and closer to political and military confrontations between the U.S. and Soviet Union.

Exactly when war might break out between the Soviets and the U.S. bosses is hard to say. However, it appears to be sooner than later. As a matter of fact it would be safe to conclude that we are entering a "count-down" period which

could take some years. But it would be unwise for the working class and vanguard forces to underestimate the closeness of war. This could lead to passivity, and obscure the need of the working class and communists to develop strategies and tactics to meet this growing danger. But lest the term the "danger of war" be misunderstood, we should point out that war can also lead to great opportunities for the working class and revolutionary forces!

As communists we do not seek war. Nor, obviously in our case, can we make war. On the other hand, we should not be afraid of war. And, most important, we should not instill fear of war in the working class. Let us remember that war has led to most breakthroughs in revolutionary movements. World War I gave rise to the Russian Revolution. The Second World War opened up Eastern Europe and China to revolution. Unfortunately the policies of the international communist movement, at that time, aborted possibilities for revolution in France and especially Italy.

It might be worthwhile to briefly recall the recent history of the Vietnamese War. U.S. aggression in Vietnam produced serious internal contradictions within the U.S. While these contradictions were not revolutionary in nature (i.e., events which could lead to the seizure of power by the working class and its communist party), the war unglued a lot of internal support for U.S. imperialism from different sectors of the population.

Because of these contradictions at home, and because the U.S. could not cope with a nationalist war in Vietnam, a war by the Soviets and Chinese capitalists, the U.S. came out of the war much weaker than when it had entered. Gone was the myth of U.S. invincibility. Gone was the dream of the "American Century." The reality was that the U.S. could not expand its holdings in Asia, and it could not count on serious support from its "allies" in a crisis in which these "allies" did not feel their interests were seriously threatened.

U.S. imperialism stood naked because it could not deal with a militant nationalist war. Most of the world drew the lesson that the U.S. was a "Colossus with feet of clay." By the end of the war in Vietnam the U.S. rulers were begging the Soviets to help extricate them from this disaster. History will record that the Soviets were either unable or did not want to do this. U.S. imperialism's nose

was rubbed in the dung until it cried "uncle." It crawled, swam and flew out of Vietnam as fast as it could. Perhaps one could call its defeat in Vietnam a turning point for U.S. imperialism; since then it has been mostly downhill.

Generally, we should conclude that war usually weakens and cripples the weaker imperialist power. Moreover, war opens up many opportunities for working classes in countries not directly under imperialist control. War often demonstrates the unworkability of an imperialist power and leads to more class struggle and class hatred for a system which is completely antagonistic to the interests of the working class. However, only a revolutionary party like ours, patterned on many principles of the Bolshevik Revolution, can lead the burning hatred of the workers to a revolutionary conclusion.

• • • • •

Events are moving inexorably to a confrontation between the U.S. and the Soviets in the Mid-East and Africa. These two areas are closely linked, because of their relative closeness to one another and because the waterways of the Red Sea and the Indian Ocean are strategically located near the oil riches of Saudi Arabia.

For over a decade the Soviet Union, with ups and downs, has been trying to enter—and control—the politics and economy of the Middle East. This effort was marked by the Khrushchev-Bulganin trips to Egypt in 1955. (They were then the two top leaders of the Soviet Union.) The Mid-East Soviet ventures in this period were capped by economic penetration of Egypt, including construction of the Aswan Dam. Later, the Soviets outfitted the Egyptian bosses with a mechanized army and supplied arms to a number of other Mid-Eastern countries.

However, the Soviet-supplied Arab countries were still unable to defeat the Israeli Army. But they did somewhat better in the 1973 Yom Kippur war. Nor were the Soviets prepared to intercede more vigorously on the side of the Egyptians in their war against Israel.

But even at the peak of Soviet influence in Egypt and Syria, they were never really able to make inroads amongst the oil-rich Saudi Arabian bosses, nor were they able to reverse the anti-Soviet positions of the Iranian oil bosses. Both the Iranians and the Saudi Arabians remained closely tied to U.S. imperialism. Basically, Soviet policy faltered. The Soviet imperialists could not break the grip of U.S. imperialism in the Mid-

East. The three principal stooges of the U.S.—Israel, the Iranians and the Saudi Arabians—remained closely tied to the U.S. The Soviets were not ready to intervene in the Arab-Israeli wars more vigorously to insure Arab victory. They were fearful, then, of a big U.S.-Soviet military confrontation. Consequently the Egyptians never broke their Saudi Arabian connection; hence their ties to U.S. imperialism.

After the Egyptian failure in the 73 war, the Egyptian ruling class finally broke any ties with the Soviet Union. Soviet advisors and technicians were kicked out of Egypt. This anti-Soviet trend was followed, in a less vitriolic way, by the Syrians. By 1976 the Syrians were fighting against P.L.O. (Palestine Liberation Organization) forces in Lebanon. Thus, Soviet aspirations in the Mid-East seemed at a low ebb. The world viewed the spectacle of the Soviet-armed Syrians battling the Soviet-armed P.L.O. The only winners here were the Israeli and the U.S. ruling classes.

The U.S. and the Saudi Arabians moved into the vacuum in Egypt, created by the demise of Soviet efforts. The Egyptian economy and war machine—such as it was—relied on Soviet assistance. Quickly the U.S. and the Saudis supplied the Egyptians with \$2 billion. While this sounds like a lot of money, it fell far short of Egyptian economic needs. Furthermore, these funds had no effect on restoring Egyptian military credibility. Generally speaking, the Egyptian economy was in a shambles, and their armed forces were not much better.

In a way this situation placed U.S. bosses in a quandary. While Mid-East oil is produced mainly in Saudi Arabia and other countries, the principal population center in the Mid-East is Egypt. To preserve stability in the Mid-East, which—for U.S. rulers—means securing the continued, uninterrupted flow of oil to their country, a passive and cooperative Egypt is essential. A shaky Egypt means that the Egyptian bosses, sooner or later, must return to the Soviet fold if the U.S. cannot seriously alter the disastrous internal developments in Egypt.

A similar situation exists with Syria. While the Egyptians lost the Sinai Peninsula in the Israeli-Egyptian wars, the Syrians lost something far more valuable. The Israelis now occupy the Golan heights which have great strategic value in the case of war between Syria and Israel.

The Syrian desire for the return of the Golan Heights from Israel, coupled with the goal of an independent Palestinian state on the Israeli border, lends itself to serious instability, or at the very least, a slew of burning contradictions. These contradictions, to be resolved satisfactorily for the U.S. ruling class, would require a shift of U.S. policy, “tilting” to the Arabs. It should be remembered that U.S. policy in the Mid-East is and always has been predicated on U.S. control of oil in Saudi Arabia and Iran. Anything which jeopardizes this is dangerous to the U.S.

In the past U.S. bosses relied on the Israelis to hold things in check in the Middle East. The Israelis were used to impede Arab efforts to control the oil. Saudi Arabia, by and large, stayed in line because since 1970 it was dependent on the U.S. market for oil, as well as on U.S. investments to expand oil production and marketing. (Prior to 1970, U.S. oil companies sold Saudi oil mainly in Europe. It was not until 1970 that Saudi oil entered the U.S. market.) But now there was a new problem, a “new boy on the block.” Even though the Soviets had met with several important reversals in the Mid-East, the spectre of Soviet re-entry into the oil-rich Mid-East haunted U.S. bosses.

The U.S. rulers were caught in a balancing act between the Israelis and the Arab states. But the U.S. couldn’t solve the contradiction satisfactorily for any of the parties concerned. The U.S. was forced to shift gears several times on the question of a Palestinian state. At one point Carter said he was for it. Before the ink dried on that statement, Carter issued a new one opposing Palestinian statehood. At another point Carter claimed the Soviet Union was not a significant force in the Mid-East. Then he turned around and invited the Soviets to co-chair the then planned Geneva Conference which was supposed to produce a comprehensive Mid-East settlement.

Whenever Carter would urge the Israelis to make concessions to the Arabs, the Israelis would not only squawk but would threaten war. Whenever the Carter group would back away from the Arab “tilt,” the spectre of the Soviet Union would appear. All did not indicate a confident ruling class who was supposed to be “in the saddle” in Mid-East. The U.S. couldn’t compel tiny Israel to make important concessions to the Arabs. On the other hand, the U.S. could not thumb its nose at the Arabs

for fear of driving them back into the arms of the Soviet Union.

Thus, an unsure U.S. ruling clique, unable to act decisively in the Mid-East, felt it had to rely on the Soviets to bring "order" to the chaotic region. This set the stage for the very thing they feared most; the re-entry of the Soviet Union as a principal supplier of weapons and political influence in the Middle East.

The Egyptian ruling class realized that its aspirations would not be solved by the U.S. Arab "tilt." Carter's sometimes sympathetic statements about the "plight of the Arabs" at the hands of the Israelis in the course of three wars would not bring back lost territory. The Israelis, despite being supplied with billions of U.S. dollars and scads of weapons, would not go along with U.S. policies as long as they seemed to conflict with Israeli interests. In other words, the U.S. didn't have the power to coerce a tiny country like Israel to bow to its wishes even though the U.S. owned Israel!

At the same time, the Israelis realized time was running against them. They knew that a re-convened Geneva Conference would only arrive at decisions requiring concessions the Israelis did not want to make. A Geneva Conference, at this point, would line up only those parties who wanted concessions from the Israelis. Every conference participant—the Soviets, the Arabs, the P.L.O. (if they got there) and even the U.S. wanted these concessions each for their own interests. The Arab bosses simply wanted back territory Israel had stolen in past wars. The P.L.O. wanted statehood. The Soviets wanted to prove that alliance with them could help deliver these concessions, thus keep a Soviet foot in the Mid-East. The U.S. wanted stability, fearing that another war in the area could screw up the flow of oil desperately needed in the U.S. (Over 40% of oil used in the U.S. is imported, mostly from Iran and Saudi Arabia.)

Faced with this reality, the Israelis opted for pre-emptive war against the Arab states, particularly Egypt, because these states were weak economically and militarily. The U.S. was unable to fill the void created by the Egyptian break from the Soviet Union. This created a predicament for the Egyptian ruling class. Another devastating war with the Israelis would leave them further down the road than ever. The Egyptians, weak in arms and morale, could not at this moment cope with an Israeli blow.

It would leave the Egyptians and the rest of the Arabs in a weaker position than ever.

Realizing the inability of the U.S. to force an Israel return of stolen land to the Arab states, and fearing that the Israelis were opting for a pre-emptive attack against Egypt, the Egyptian ruling class acted to stop the Israelis by diplomatic means. Sadat's trip to Israel was a weak attempt to accomplish diplomatically what he could not do militarily. Sadat hoped to place the Israelis on the defensive by his so-called "master diplomatic stroke." By going to Israel as a man of "peace," he would make it near impossible for the Israelis to fly in the face of world pressure. Sadat felt that the Israelis could not dare launch a military attack.

The Egyptian bosses also figured that the U.S. inability to compel important territorial concessions from Israel could be overcome by taking a bold political initiative; thus, the Sadat trip to the Israeli Knesset. The Egyptian bosses understood that the Israelis would never go along with a Geneva Conference, a conference which could only create enormous pressure on Israel to return lands stolen in past Israeli-Arab wars. Thus, by-passing Washington, by dumping the concept of the Washington- and Soviet-inspired Geneva Conference, and by groveling diplomatically (tacitly recognizing the State of Israel by appearing before its governmental body), the Egyptian bosses figured they could accomplish several goals with one master blow.

First, Sadat hoped to nullify the (momentary) superiority of Israeli arms. Secondly, he hoped his trip, and its tacit recognition of Israel, would pry loose important concessions from the Israelis. Thirdly, Sadat felt that, by his unilateral action, the Egyptians would emerge as the sole negotiator for all the Arab states, that they and the P.L.O. would be boxed in by his diplomatic crawl.

Finally, Sadat was fearful (as were the Israelis) that the weak U.S. military position combined with U.S. dependence on Saudi Arabia for almost one-third of all its oil had compelled the U.S. ruling class to bring the Soviets back into the center stage of Mid-East affairs. After all, the U.S. must be concerned primarily with the vital supply of Mid-Eastern oil. Without this oil, the U.S. would be seriously crippled as a modern industrial power. Furthermore, any modern military machine requires oil as its primary



Marines hit the beach in European exercise—symbol of U.S. commitment to NATO.

source of fuel. No one knows when other forms of fuel will be developed to power airplanes, tanks, trucks and other military needs.

The one thing the U.S. fears the most at this point is a military confrontation in the Mid-East requiring U.S. troops. Possibly the biggest lesson of the Korean War, and especially of the Vietnamese War, is that it will be a long time—if ever—before the U.S. can field a reliable Army. Without it, U.S. rulers are forced to pull in their horns. This is a fact wasted on nobody, especially the Arabs and Israelis! Dependence on the U.S. is a sometime thing.

Fundamentally, the Sadat ploy of journeying to Israel and crowing about "peace" has had about as much effect as Neville Chamberlain's words about "peace in our time" after his visit to Adolf Hitler. Peace is more elusive than ever in the Middle East. The threat of war has increased.

The Israeli ruling class underscored its independence from the U.S. bosses by undermining Sadat "peace" efforts. The Israelis refused to make one concession to Sadat. The more Sadat and Carter talked about peace, the more intransigent

the Israelis became. After a short while the "peace" talks collapsed.

Another nail was driven into the Sadat "peace" initiatives." Using the P.L.O. raid into Israel as an excuse, the Israeli fascists drove into southern Lebanon for the avowed purpose of wiping out the P.L.O. and its bases. The world knows now that the Israelis failed. The P.L.O. expecting the invasion, quickly moved its forces deeper into Lebanon. The Israeli attack was pictured as a "juggernaut." But, in fact, it had a hard time dealing with the few thousand P.L.O. forces, often led by Syrian officers. This rear-guard action by the P.L.O. has hindered the Israeli attack force from the very beginning of its invasion.

Perhaps the Israeli assault on Lebanon had three other purposes besides the aim of wiping out the P.L.O.:

- Despite the presence of United Nations troops, the Israelis now control a large chunk of territory in Lebanon. This is another example of Israeli expansionist policies.

- The Israeli invasion was another demonstration of their unwillingness to knuckle under to U.S. bosses. It indicated,

to Sadat that any Mid-East "peace" treaty negotiated at this time will not include any serious territorial concessions by Israel. So, even if a "peace" treaty eventually evolves—which seems unlikely—it will not be worth the paper it's written on.

- The Israel invasion put the Syrians on notice that they better be careful. The Israelis are not going to sit by and wait until Soviet arms are in place to be used by the Syrians against Israel. By controlling southern Lebanon, the Israelis are in a better position to deal with the threat from Syria, who has emerged as a more solidly anti-Israeli force than Egypt.

Basically, the contradictions in the Middle East cannot be solved by diplomacy. As a matter of fact, they can never be resolved without socialism. So far, the Israelis have not given up one grain of captured Mid-East sand. They have made it clear they will not agree to a Palestinian state on their border. The Israelis seem intractable about returning the Golan Heights to the Syrians. Further, they won't budge on making Jerusalem an "open city." And, they won't even bend on the seemingly easy question of returning the Sinai Peninsula. On all these questions Sadat's trip is a bust so far.

Syria, the P.L.O., the Libyans, the Iraqis and the Algerians all think that Sadat is simply trying to negotiate a separate peace with the Israelis. These rulers believe that Sadat will cheerfully betray their interests if he, Sadat, can get a good deal for Egypt. In short, they don't trust him. Since the Sadat caper to the Knesset they have all stepped up their Soviet connection. This is especially important where the Syrians are concerned. The Syrians had all but broken with the Soviet imperialists. This was capped by their attacks on the P.L.O. in Lebanon last year. The Syrians were concerned that the P.L.O., armed by the Soviets, might precipitate a war with Israel. The Syrians were not ready for war as they also had seriously cut their ties to Moscow.

However, driven by the fear of a Sadat sellout to the Israeli bosses, the Syrians have moved step by step to restore ties with Moscow. Recent arms agreements with the Soviets will make the Syrians a formidable military force in the Mid-East. It should be pointed out that the Soviets are selling these weapons. And, with the Sadat trip to Israel, the Syrians

have allowed the P.L.O. to reopen their bases in Syria and Lebanon which the Syrians had previously closed. All the other hard-line Arab states have all increased their arms purchases from the Russians.

The so-called moderate states, like Jordan and Saudi Arabia, while staunchly pro-U.S. imperialism and tied more closely to the Egyptians, are cautious about openly hailing the Sadat "peace" efforts. Jordan and Saudi Arabia are afraid to directly antagonize the more militant anti-Israeli Arabs. Both Jordan and the Saudis are concerned lest they end up in a sea of Soviet vassal states. At this point the Saudis, particularly, are dependent on oil development and sales to the U.S. Without the U.S. market, the Saudis would be unable to maintain their current untold profits. Furthermore, the Saudis use oil dollars to control politics in the Mid-East which favor them. Additionally, they use their vast wealth to encourage pro-U.S. forces in the Horn of Africa. That region is crucial to the uninterrupted flow of Saudi Arabian oil. The Red Sea and the Indian Ocean are the waterways crucial to the transport of Saudi oil and hence absolutely vital to both the U.S. and the Saudi Arabians.

But it should be pointed out that the Soviets, previously only an oil exporter, may start to import oil. Perhaps if all the Saudis' maneuverings don't turn out well, the U.S. market might be replaced by a Soviet-Eastern Europe market. Time will tell. But it is time which seems to be on the side of the Soviets.

Further attention should be paid to the way the Saudi oil chiefs are playing their cards in the big Mid-East oil caper. The Saudis never publicly applauded Sadat's "peace" efforts. Later, the Saudis described the P.L.O. terror raid in Israel as "courageous." Then they attacked the Israeli invasion of Lebanon. More important, is the fact that the Syrians have paid billions for Soviet arms in hard currency. This money was obtained from the Saudis. Only the Saudis have this kind of money. The Soviets, ever the big imperialists, have told the Syrians to be careful in dealing with the Saudis, as it is the Saudis who are putting up billions in U.S. dollars for Soviet arms. It would seem that these types of gyrations do not make for rock-bottom alliances.

Perhaps the biggest problem U.S. bosses have in the Mid-East is

geographical. The Soviet Union sits astride Iran and Saudi Arabia. It has a common border with Iran, and it is only "a lake away" from Saudi Arabia. In the past the proximity of the Soviet Union to other areas was a weakness as long as the Soviets were a weak country. But now their nearness to not only the Mid-East but to Europe and Africa as well, is a **strength** as the Soviets are emerging as the most powerful nation in the world. In the final analysis it is this combination—military strength and geographic location—that makes the Soviets a dire threat, particularly to U.S. imperialism.

All the cards have not been played out in the Mid-East. It's not likely that the Soviets will be able to dislodge U.S. imperialism from this area right away. However, it doesn't appear that the U.S. can deliver the knock-out blow to Soviet aspirations in the Mid-East. Gradually, with some gyrations, the Soviets will be able to expand their Mid-East beach-head and ultimately get to the oil.

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In the past decade the Soviets have opened up a political, economic and military offensive in Africa. Probably its most vital aspect is taking place in the Horn of Africa—Somalia and Ethiopia. This area is very closely linked to the affairs just described in the Mid-East. But first it would be well to analyze Soviet penetration of this second largest continent. It also should be pointed out that while Africa has been the playground for all other imperialists for a long time, this is being broken down by mounting Soviet strength, a force which also threatens both the Egyptians in northern Africa and the Saudis, adjacent to it.

The turning point in the rise of Soviet imperialism in Africa and parallel decline of U.S. imperialism there and elsewhere was the easy take-over by the Soviets in Angola. Skillfully exploiting their Cuban puppet troops, the Soviet sponsored forces marched into Angola backing the MPLA (Popular Movement for the Liberation of Angola). For some time the Soviet wing of the Angolan liberation movement was in the ascendancy. The Soviets helped them into power. The U.S. was too weak from its Vietnam debacle to intercede.

Prior to this coup the Soviets had piled up bases of support in Tanzania, Ghana, Guinea, parts of the Congo, Mozambique (through its rebel guerillas), Algeria and Libya, while the spectre of Soviet arms haunts the rulers of South

Africa and the U.S. Earlier the Soviets had hooked onto the fascist regime in Somalia. In some ways this Soviet imperialist achievement was its biggest African plum. In addition to whatever they could pull out and dump into Somalia in true imperialist fashion, controlling Somalia gave the Russians a vital port on the Red Sea and Indian Ocean. The port of Berbera could ultimately give the Soviets control of the oil shipments out of Saudi Arabia as well as strategic positioning on the Indian Ocean. In this way the Soviet navy was a double threat to previously secure British and U.S. waterways.

However, through a combination of Soviet stupidity and U.S.-Saudi bribery, the Somalians kicked out the Soviets. But the Soviets were learning the imperialist game fairly quickly. Undeterred by this set-back, they bought and bludgeoned their way back into the Horn of Africa. The Ethiopian rulers were very shaky. Eritrean rebels had stripped away the northern-most part of the country, called Eritrea. Eritrea is right on the Sea. One could virtually scale a rock across the Red Sea from Eritrea to Saudi Arabia. The Somalian fascists attacked Ethiopia from that portion of Somalia near the Indian Ocean. The Somalians captured the province of Ogadon. Thus, the Ethiopians were threatened from two sides.

More important, this twin attack threatened the Ethiopian lifeline by cutting off its access to the water. Enter the Soviets with guns, Cuban troops, and Soviet troops. Now the military tables are turning in favor of Ethiopia. They have all but smashed the Somalians. Later they will turn on the Eritrean rebels. If Soviet support of Ethiopia succeeds, the Soviets will at least regain access to a port on the Horn of Africa. Even if the Soviets cannot make a lasting comeback in the Mid-East, controlling the Horn of Africa gives them control of the waterways vital to oil shipments as well as operating bases against Egypt and Saudi Arabia.

It also should be pointed out that Soviet buddies in Libya border the Sudan and on Egypt. By controlling Ethiopia, the Soviets have another post threatening the Sudan, a big ally of Egypt. Now both Libya and a pro-Soviet Ethiopia surround the Sudan, as well as Egypt. This Soviet flanking movement on the African continent lessens their need for direct control of the Mid-East right now. By coming to the aid of the Ethiopians and

Even Then They Knew

(From *The Commonweal*, Jan. 1957)
THE GAITHER REPORT

THE PRESSURE on the Administration to release at least key portions of the Gaither Report continues to mount. As most people know by now, this report is the latest in a regular series of studies on the relative power of the United States and the Soviet Union, carried out for the information and guidance of the President and the National Security Council. Such reports are always filled with highly secret information, and apparently this one is the most explosive of them all.

The Gaither report is said to establish that the Soviet Union has already achieved military superiority over the United States or will soon do so. This superiority is primarily due to the fact that the U.S.S.R. possesses intercontinental ballistics missiles, while the United States does not. The Soviet Union is said to have something like five hundred submarines armed with atomic missiles, capable of destroying U.S. population and industrial concentrations in a wide area along our coastline. It has already established bases for medium-range missiles which challenge our forward airbases abroad. In addition, the Russians have achieved a general scientific

breakthrough and are moving ahead very rapidly on many other fronts.

Writing recently in the very pro-Administration N.Y. *Herald Tribune*, A.T. Hadley reported that some members of the Gaither committee became physically ill when they realized the extent of the Russian military superiority, two of them with heart attacks. In the same newspaper, Stewart Alsop quoted this description of his work by one member of the committee: "I felt as though I was spending ten hours a day staring straight into hell"—this hell being the prospect of a world militarily dominated by the Communist nations. All this makes grim reading. And because it does, and because the Gaither report deals with the whole question of national survival and world freedom, Mr. Hagevov's effort to play it down is unlikely to succeed. By its very nature, the Gaither report is in a class by itself. Certain portions of it will undoubtedly have to remain secret, and much of it will clearly be highly embarrassing to the Administration. Nonetheless, the President should now order as frank and full a disclosure of its findings as possible. The Russian leaders know where they stand; it is time to let the American people in on the secret, so they may know what must be done.

flaunting their strength in the face of U.S. warnings, Soviet credibility mounts in Africa and around the globe.

Looking at a map, one can see that northern Africa, in which the Soviets have a good foothold, Algeria and Libya are a whistle stop away from southern Europe—Spain, Italy, Greece, Turkey, and southern France. These countries are being squeezed in a giant Soviet pincer movement which is enveloping Europe directly from the Soviet Union, and from northern Africa. For years the U.S. has been speculating on the massive arms build-up in Libya. This tiny country has more weapons than grains of sand. These weapons can be used against Europe or other Mid-East nations.

Thus, the Soviet penetration of Africa over the years is but a prelude not only

to dominating events in the Mid-East but a springboard from which to attack Europe, if necessary. The recent U.S. sale of jet planes to Saudi Arabia and to Egypt has more to do with stopping, and preparing against, this Soviet build-up in the Horn of Africa, than as a move against Israel.

But politics make strange bedmates. While the Israelis are allies of the U.S., they support the Soviet-backed Ethiopians against the Somalians. This is because the Somalians are allies of the Egyptians and the Saudi Arabians. Thus, the law of self-interest, and only that law, governs the policies of all these nations, no matter how small. Because U.S. rulers have become much weaker vis a vis the Soviets, they are unable to bring their client states into line. They can't force them to back policies which

are only of use to the U.S. bosses.

The continent of Africa is probably the area in which the Soviets have made their greatest inroads. It seems as if the relationship of forces on the continent of Africa is swinging irreversibly to the side of the imperialist Soviet Union.

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In evaluating developments in Europe, it is easy to get sucked into watching all the economic gyrations between the U.S. and its allies. Endless hours can be spent comparing the strength of N.A.T.O. with Soviet military forces on the borders of Western Europe. Whether or not the falling rate of the dollar is a sign of weakness or strength, or maybe both, is important. Or, perhaps, will the "Euro-communists" be better or worse capitalists than the older, established ruling classes? Whatever importance is attached to these questions, the big question remaining in Western Europe is what role the working classes will play, given the possibility of a U.S.-Soviet confrontation on that continent.

This question has several aspects. We must always remember that when the Soviet Union was still a socialist state, under the leadership of Stalin, it crushed the Hitlerites. It was the troops of the Red Army who used their tanks, artillery, rockets and planes to deal the crusher to the fascists. And it was in western Europe where pro-Soviet, communist-led anti-fascist movements liberated those countries from the Nazis. Since World War Two, a significant portion of the European working class has come to consider itself communist and socialist. Millions of these workers may be critical of the Soviet imperialists today, but they are not about to fight the Russians on behalf of their own bosses, or for the U.S. ruling class.

There are few, if any, countries in Europe that will ever be able to overcome this fact of life. There will be few troops to pick up guns against the Soviet Union, even if the Soviets strike the first blow. The U.S. and the other imperialists of Western Europe have never won the ideological battle to make European workers stridently anti-Soviet. This is the crucial question which will determine who dominates Europe, as the strength of the Soviets mounts and the decline of the U.S. accelerates.

Secondarily is the role of those Western European ruling classes which have been antagonistic to the Soviet Union. First, let it be said that whatever the allegiances of the Euro-communists,



World-wide workers' revolution will end imperialist war.

they could never marshal Western Europe's workers to fight the Russians. Yet this isn't all that important. More important is the fact that the established rulers of these countries—Britain, France, Italy, Belgium, Spain, et al—will never volunteer their countries to be incinerated in atomic war between the U.S. and the Soviet Union. This may happen anyhow, but these ruling classes will never encourage it, nor will they lend themselves to an attack against the Soviets. More to the point, if the Soviet Union attacks Western Europe, and from the Soviet point of view that may not be necessary, the Western European bourgeoisie will knuckle under to it and declare their cities "open cities."

We say "it may not be necessary," because the ultimate relationship of forces may see the Western Europeans as preferring to "switch rather than fight." It may be these ruling classes who demand that the U.S. "get out of Europe." What do European rulers stand to gain from atomic war, or from large-scale war itself? At the moment, the Soviet Union is emerging as one of the largest trading partners of Germany. Soviet banking institutions, while now modest, are dotting Europe. If you recall, it was the French, Italian, and many other ruling classes of Europe which gave in, and capitulated to Hitler. Why won't they capitulate to Soviet mili-

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OUTNUMBERED NATO

Combat forces on critical Central European Front—

| NATO | | Warsaw Pact. |
|---------|-------------------|--------------|
| 630,000 | Troops | 945,000 |
| 7,000 | Main battle tanks | 20,000 |
| 2,350 | aircraft | 4,075. |

tary superiority? The big difference now is that, unlike Hitler, the workers of Western Europe still, unfortunately, view the Soviet Union in a positive light, perhaps in many cases more favorably than their own rulers, and certainly more favorably than the U.S. imperialists. Surely it is not in the interests of the working class, or even of the ruling classes of Western Europe, to be incinerated in a Soviet-U.S. war.

At this point some comments about the German and British ruling classes would be worthwhile. The British and the Germans are seemingly the two most-committed allies of the U.S. bosses. However, in the case of a nuclear war, the British Isles, especially, would be vulnerable to atomic attack. This tiny area is like a sitting duck. The British barely outlasted the German V-2 rockets hurled at them by the Hitlerites near the end of World War II. V-2 rockets are like gnats compared to today's atomic warheads. While it's doubtful that even nuclear war could change the concept of "there will always be an England," it isn't in doubt that nuclear war would wipe out the industrial capacity of Great Britain for decades. Nuclear war could unleash revolutionary class struggle in Great Britain, eliminating British capitalism. Nuclear war does not seem to be a viable option for the British rulers, no matter how much they love their U.S. buddies.

Much of this same reasoning is true for the Germans. The new Nazis of Germany have little love for the Soviet imperialists but it is unlikely they would risk industrial destruction in an atomic war against the Soviets conducted primarily for the benefit of U.S. bosses. Without doubt Germany would become a nuclear dust bowl as one large battlefield in a Soviet-U.S. confrontation. At this point, Germany is a principal U.S. competitor. Why would a major competitor of the U.S. line up with the U.S. in a war with the Soviets? To date, there is little evidence this would happen. Where were the German bosses in Vietnam? Where were they in Korea? And remember, the German bosses tried to gobble up Great Britain, and reduce the U.S. to impotence in World War II. The U.S. entered World War II on the side of the British and the Soviets, against the Germans.

Finally, German workers may very well be incited by the spectre of their country being incinerated in a nuclear war. These workers could rebel and

topple the German rulers. Perhaps it will be the threat of nuclear war, or war itself, which will finally bring to fruition the predictions by Marx and later Lenin that the German workers are revolutionary.

In this present period, several developments have taken or are taking place which gives some indication of the long-range trend among West European rulers away from U.S. hegemony. As early as the Korean War, West European bosses showed little or no enthusiasm for fighting to save the marbles for U.S. imperialism. Under pressure from the U.S. the United Nations passed measures supporting the U.S. war of aggression in Korea. However, this resolution and other protestations of support from supposed "allies" of the U.S. produced little or no serious military support. Toward the end of the Korean War most of these ruling classes were grumbling openly about the continuation of the war. One of the principal aspects of the war that produced dire consternation in the ranks of the "allies" was the threat of nuclear war.

From the outset of the Korean War, U.S. military capabilities became suspect. In the initial phase of the war the North Korean Army pushed the U.S. down to the bottom of the Korean boot, to Pusan. The North Koreans were mainly armed with Soviet weapons, especially heavy artillery. The next period saw the famous Inchon Landing, directed by MacArthur. This cut the Korean Peninsula in two. It split the North Korean forces and they rapidly retreated to the North.

The next phase of the war had both a political and an important military note to it. God-fearin' Harry Truman, who had already dropped atomic weapons on Japan during World War Two as a political display of intentions for the Russians' benefit, gave MacArthur the right to use atomic weapons in Korea. In the real world this meant that MacArthur was **ordered** to use atomic weapons. That same night, after Truman issued his edict, Clement Atlee, then Prime Minister of England, flew to Washington in panic. In no uncertain terms he told Truman that if the U.S. used atomic weapons in Korea, the British would not back the U.S. in the event of serious consequences from the Soviet Union. Additionally, Atlee made it known that the British would denounce atomic efforts by the U.S. Similar declarations poured in from all over the world.

The estimates at that time were that

atomic war unleashed by U.S. imperialism would open up the floodgates of revolution all over the world. Most capitalist ruling classes figured the only way to prevent this was to assail the use of atomic weapons by the U.S. And, if the U.S. insisted on an atomic attack in Korea—and possibly China—they would then join in some form of attack on U.S. rulers.

Flooded by this kind of response, Truman realized the U.S. would stand alone. The U.S. bosses realized they would be involved in a war they couldn't possibly win. They estimated that they would have to retreat from their atomic plans. Shortly thereafter, Truman rescinded his orders to MacArthur that would have allowed him to use atomic weapons. This order had led to increased tensions within the U.S. ruling class. A smaller section of the ruling class, for which MacArthur was a spokesman and political leader, disagreed. Subsequently, there was the historic Truman-MacArthur "feud," and the eventual removal of MacArthur from his command in Asia.

The final phase of the war had many aspects worth noting. The Soviets never backed away from their support of the Koreans. Stalin talked a lot about peace, but supplied the Koreans with more and more weapons. One military turning point came when Stalin, for the first time, sent a large amount of new Soviet jets to the North Koreans. Prior to this, the U.S. had enjoyed complete air superiority in Korea. The Soviets trained the Korean MIG fighter pilots.

To make a long story short, there were two important air battles in the war; the U.S. lost them both. The Koreans kept their Soviet planes under wraps until the training of their pilots was complete. One day, the U.S. sent up over 100 bombers and fighter escorts for the usual day's uninterrupted bombing. According to press accounts at the time, almost none of these planes returned to base. For the first time, the Koreans, using the MIG-15's blasted the U.S. aircraft out of the skies. In characteristic fashion, the U.S. air commanders couldn't read the hand-writing on the wall. The next day they increased their air strikes against North Korea. Again very few planes returned. U.S. air superiority was broken. For the first time, a so-called "backward" country had beaten the invincible U.S. imperialists.

Another aspect of the war in Korea was the U.S. bosses' plan to annex Manchuria from the Chinese, to set China

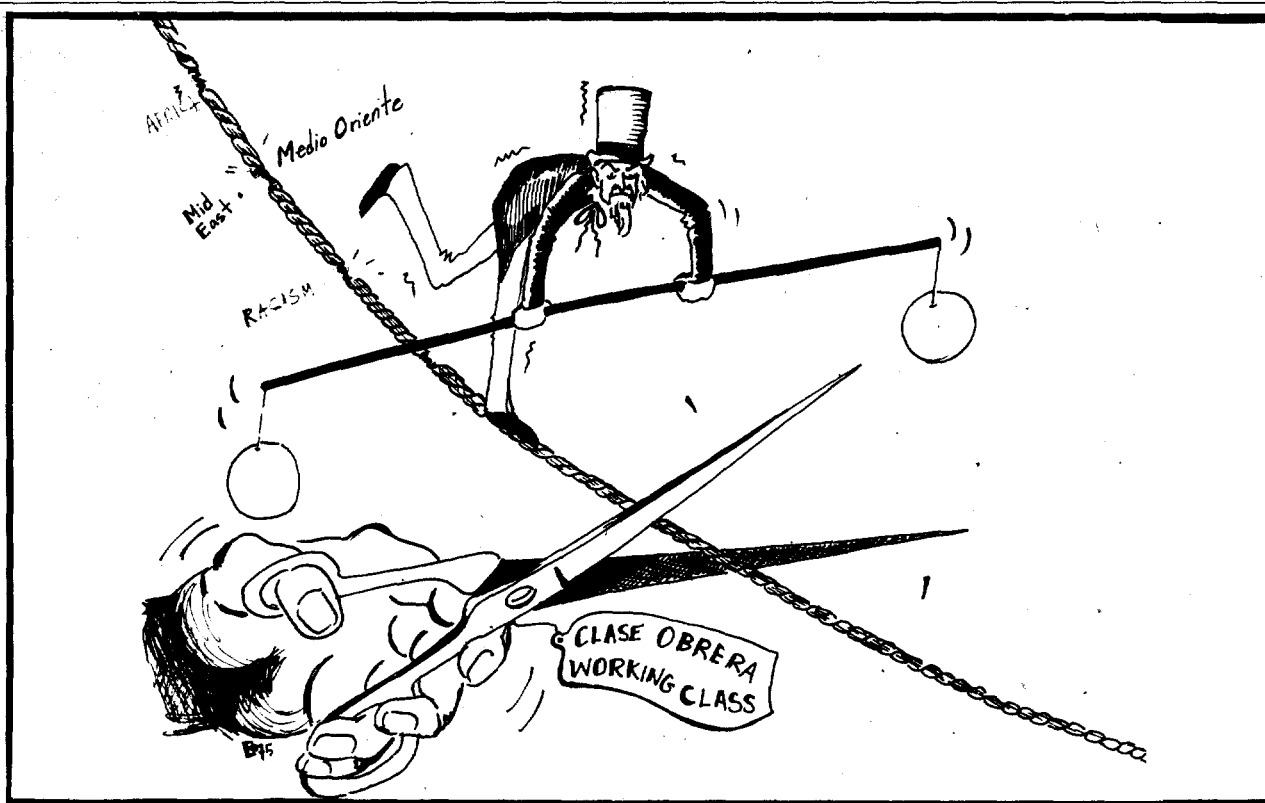
back fifty years in industrial development. The U.S. planned to occupy or destroy the power plants on the Chinese side of the Yalu River. These plants provided the energy for much of Northern China. The Chinese warned the U.S. that any advance close to the Yalu River separating Korea from China would not be tolerated. In his usual bullying, racist, ignorant manner, MacArthur proceeded to march straight to the Yalu. One night thousands of Chinese "volunteers," as they were called by the Chinese Communist Party Leaders, attacked. These troops, armed with only light weapons and a lot of bugles, panicked MacArthur's soldiers. The U.S. Army broke and ran. They fled all the way down to the 38th parallel. Again the myth of U.S. invincibility was smashed, again by a so-called "backward" nation.

An interesting aspect of this fighting was the use of bugles. On the one hand, they provided instructions and signals. The bugle was used nearly like walkie-talkies. And the sound of the bugles, coming from all sides, so rattled the U.S. troops that they attributed some sort of fiendish connotations to the bugle sounds. The main aspect of this fighting was that the Chinese soldiers were politically committed against U.S. imperialism. The U.S. troops were not won to fighting and dying for U.S. imperialism.

With the advent of the U.S. war of aggression in Vietnam, none of the U.S. "allies" had any stomach for supporting the U.S. bosses, in any form. Earlier we described the debacle of U.S. imperialism in Vietnam. However, we should point out that one of the salient features of this war was that **U.S. workers were not won to fighting and dying for the U.S.** In one way or another, they refused to fight. Again a so-called "backward" nation, a small one at that, took the measure of U.S. imperialism.

One important similarity between the Vietnamese and Korean Wars was the enormous military support from the Soviets, and, to a lesser degree, from the Chinese. Once again the U.S. "allies" had to understand the emergence of a new world reality. The Soviet Union was contesting U.S. imperialism all over the world, and the Soviets were prepared for military confrontations in areas that the Soviets deemed important to them at the particular moment of history.

During the Korean and Vietnamese Wars, the U.S. "allies" in Western Europe, as well as Japan, took full advantage of the plight of the U.S. bosses.



U.S. bosses losing their balance.

While the U.S. was pouring countless billions into the war in Vietnam, as well as spending billions of dollars for armaments in Western Europe, the "allies" were spending billions to **expand and modernize their industrial plants**. This made the U.S. "allies" formidable industrial competitors. Increased competition between the capitalists generally worked against the U.S. Its market shrank at home and abroad. Mass unemployment and inflation became a permanent factor of U.S. life. And because of the inter-connection of the U.S. and European economies, these twin evils of capitalism became the fact of life in those countries, too.

The general slump among the older capitalist countries—the U.S., Europe and Japan—have led to increased political and economic competition and feuding. Additionally the U.S. would like to limit its huge military burden in Western Europe. U.S. bosses realize that the European bosses are exploiting this expense. The U.S. pleas, urgings and hollering, demanding that more monies be spent by West European governments for military needs in Western Europe, have generally gone unheeded. As a matter of fact, the entire N.A.T.O. military structure has become a farce. West European generals have already acknowledged that they do not intend to seriously

defend their countries in the face of a Soviet attack.

The U.S. is still the prime military supplier in Western Europe. However, the cost is staggering. It is a dead loss for U.S. bosses to spend billions in maintaining troops in Western Europe in a losing cause. The U.S. rulers have planned to remove a good portion of their troops from Korea and possibly from Western Europe. They plan to offset this by increasing their planes and nuclear potential in the area. Will the West European ruling classes relish their countries being incinerated by atomic war? The spectre of the neutron bomb being used wildly in Europe by the U.S. bosses has stunned the European continent. This is part of the reason for Carter's gyrations and vacillations over its production.

This spectre of houses and factories left standing while people are destroyed in nuclear war has tilted a huge number of workers and middle-class people in Europe into the camp of the Euro-communists. At least it appears to many that the Euro-communists would not, willy nilly, get drawn into supporting a U.S.-Soviet nuclear war in Europe.

Consequently, growing U.S. military impotence, permanent economic weaknesses, and the ascendancy of Soviet military and economic power has served

to sharpen the contradiction between the U.S. and its "allies." We should not forget that barely 35 years ago, the Japanese, German and Italian ruling classes attacked the U.S. And it was in this same period that the ruling classes of France, Holland, Belgium, Austria and others in Western Europe did not lift a finger to stop, or fight, Hitler. Only the British did. This is not the stuff that serious alliances are made of. There is nothing operating in this present period which would indicate that the vague "alliance" between the U.S., Western Europe and the Japanese would stand up under pressure.

As early as the 1950s, the U.S. ruling class had perceived the possibilities of being shoved out of Europe, Africa and Asia. In the 1950s, the Rockefeller's, in the Nelson's name, commissioned a panel to develop strategy for this eventual development. The Chairman of the Committee was William Gaither. He was Under Secretary of Defense. The final document was called the Gaither Plan for "Fortress America." However, this did not mean that the U.S. would simply up and leave these areas. U.S. rulers were intending to try to hang on as long as possible, and even try to win. But the question was, and is, what if they lost!

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Losing has become the apparent reality for much of the U.S. ruling class. This will become more evident as the U.S. moves to consolidate its ties with China. Nixon's visit to China was the opening gun by the U.S. ruling class to try to build an alliance that could stand up for some time. Basically, the U.S. ruling class has become disenchanted with its "allies" for precisely the reasons we have just enumerated. The U.S. bosses view the Soviet-Chinese contradiction as more significant than that of its "allies" vis-a-vis the Soviets.

During the latter part of the Mao regime, Soviet revisionism became full-blown. The Chinese saw that the Soviets had abandoned any pretenses at encouraging and aiding socialist revolutions any place in the world. The Soviets were aiming to peck away at the fringes of U.S. imperialism by encouraging various nationalist trends in the less industrialized countries. They were ready to support any nationalist, even out-and-out fascists, in order to whittle away at the U.S. empire.

Internally they dropped any veneer of socialism. A class exploitative society was restored in full force. A form of

state capitalism—fascist, in this case—was developed. The profit system was re-established in full force, to increase production. Production quotas superseded ideological development and the fight for socialism. And it should be noted that the Soviet revisionists took power out of the workers' hands without armed struggle. (This will be the topic of a future article. Until the Soviet counter-revolution, class power had never changed without armed struggle.)

In quick order, the Soviets became a full-blown imperialist power. Thus, the Soviets tried to press their policies on the Chinese. Khrushchov and Co. felt they could pull this off because the Soviets were fully imbedded in the Chinese economy. Thousands of Soviet technicians flooded China, installing Soviet equipment in industry and in the armed forces. Billions of rubles were dumped into China in order to build Chinese factories.

Khrushchov thought that the Chinese would go along with Soviet policies, albeit reluctantly, because the Chinese depended on Soviet "aid." Also, the Soviets felt that the Chinese and the Soviets could at least be united in driving the U.S. out of Asia. The bottom line of Sino-Soviet unity would be unity against U.S. imperialism.

In the fifties, Khrushchov realised he couldn't keep Mao in line, so he pulled Soviet rubles and technicians out of China. Then the Chinese accurately depicted the Soviets as revisionists out to destroy the international communist movement. The CCP organized a worldwide ideological struggle against Soviet revisionism. With the advent of large-scale war in Vietnam, the Chinese and the Soviets became unhappy partners. Both supported the Vietnamese, who were fighting U.S. imperialism. It seemed as if the bottom line of Soviet-Chinese unity might endure. Mao called Nixon "worse than Hitler." He said that the U.S. ruling class was "the main enemy of the workers of the world." Mao taunted U.S. imperialism, and almost pleaded for the U.S. to invade China. Statement after statement came out of Peking extolling the virtues of People's War, and claiming that the Chinese were invincible in the face of attacks from the U.S.

Near the end of the Vietnam War it became clearer to the Chinese what the real world was actually like. The U.S. was indeed a paper tiger. It had failed in Korea. It had failed in Vietnam. And it was failing all over the globe. The

Soviets were emerging as the stronger imperialist, if not then, then in time. China became more concerned with the Soviets. It was not the U.S. which bordered China. After all, if the U.S. could not win in tiny Vietnam; how was it going to invade and defeat China? The Soviets, on the other hand, had a million troops on China's border. The Soviets had spoken of a "surgical" nuclear strike against China which would be aimed at knocking out China's nuclear capability. The Soviets were in a furious political campaign against the Chinese. They got the upper hand in Vietnam where Soviet influence became dominant. The Soviets wanted to control all of Asia.

Border war, skirmish, or whatever, gave real life to this contradiction. The drums of Sino-Soviet war beat louder. Suddenly, it was the Soviets who were the main danger in the world. It was the Soviet chiefs who were "worse than Hitler." In fact, the U.S. bosses didn't seem "so bad" after all. Mao adopted the usual "lesser evil theory" that had plagued communist parties for years. He returned to the "unite-everyone-against-the-main-enemy" idea with a vengeance. This was the line of building all-class unity in China against the Japanese invasion in the thirties. It wasn't long before Chinese and U.S. ping pong paddles were playing around the same table. It was then only a hop, skip and jump before the "worse-than-Hitler" Nixon was wined and dined in Peking. This meeting simply confirmed the new fact that the U.S. was on its way down. Both the U.S. and China needed one another. The common enemy was the Soviet Union.

Subsequently, Mao died. Quickly China went the route of the Soviet Union. As in the Soviet Union, factories and production became the hallmark of socialism. Chinese capitalism seems to have evolved as a carbon copy of the Soviet Union. All of Mao's revisionist policies were carried to their logical conclusions. China became a large capitalist power who now had serious problems with its Soviet competitor in Asia and Africa. Most of the older CCP cadre, removed in the murky Cultural Revolution, were back in power. The so-called left, led by the "Gang of Four," had aided and abetted the smashing of the workers who wanted to incorporate important concessions won during the Cultural Revolution. The most important ones had to do with methods of stimulating production; ma-

terial incentives vs. political incentives; and trends toward the equalization of wages. Because the "Gang of Four" was close to Mao, at least politically, there is no reason to believe they opposed Mao's alliance with U.S. imperialism.

As we said, the bottom line of this new, budding alliance was unity against the Soviet Union. But any alliance must have some tangible aspects to it. The Chinese wanted at least three things. First, they wanted a U.S. policy which would quickly put Taiwan back in the hands of the mainland. Then they wanted large amounts of U.S. weapons and technology. And finally, they wanted the U.S. to seriously upgrade its military forces all over the world. The Chinese—ironically—wanted the U.S. to become a credible military force with teeth.

The U.S. was seeking, in China, a new trading partner. The U.S. hoped to use China as a market to offset its loss of markets all over the world. U.S. bosses hoped that military bases might follow, allowing the U.S. more leverage against the Soviet Union. The U.S. wished that the embryonic Sino-U.S. alliance would give the U.S. more prestige with all the other less-industrialized countries who were gravitating toward the Soviets. Probably in this initial stage of the new love match, the U.S. bosses hoped for a huge political fig-leaf to obscure past, present and future imperialist crimes. The icing on the cake was that the Chinese were anti-Soviet to boot, tying down over a million Soviet troops on the Sino-Soviet border.

But this new love match quickly cooled. The U.S. failed to deliver on any of the Chinese wishes. The U.S. backed off any complete dumping of the Taiwan bosses. No arms were sent to China. Some few plants were built, but industrial sales to China eased off. And maybe most important to the Chinese, the U.S. has proven to be a marshmallow in the face of Soviet penetration of Asia and Africa.

As for the U.S., the Chinese fig-leaf developed, in part. The Chinese persist in calling the Soviet Union worse than the U.S. But anything less than a full-blown, cordial alliance with China can't provide the full cover for the aspirations of U.S. imperialism.

As the star of U.S. rulers wanes, other attempts will be made to invigorate the Sino-U.S. alliance. It is conceivable that the U.S. might try to ease its economic crisis by large-scale sales of arms and technology to the Chinese. But this would

"In the past decade, the Soviets have opened up a political, economic and military offensive in Africa."

depend on large-scale credits, as the Chinese do not have that much trading power. In any event it's always possible that the Chinese may not draw too close with the U.S. as the Chinese may view the crumbling U.S. bosses more as a liability than an asset.

The same things that helped create the U.S.-China alliance could nip it in the bud. A weaker U.S. imperialism would have a long tenuous supply line to China. On the other hand, the Soviet Union is right there. As in other countries, the Chinese bosses would not like to see themselves as a nuclear battle-ground for the U.S. and the Soviet Union. At this point one would have to conclude that the Sino-U.S. alliance is on shaky grounds. Many more tangibles would have to develop to give it real meaning. But as China more and more resembles the Soviet Union, it is also possible that the basis for temporary and unstable unity might develop between them, in order to carve up the remains of U.S. imperialism. Additionally, the post-Mao Chinese leadership seems very weak. It is quite possible that additional internal upheavals in China might render them too weak to be of serious benefit to any other ruling class.

The Sino-U.S. alliance is, at best, a shaky boat. And, while the U.S. will probably pursue this alliance more vigorously in the near future, "Fortress America" is becoming a more realistic possibility.

Strategy would seem to dictate that the sooner the U.S. ruling class engages the Soviet Union in nuclear war, the better off it would be. As of now, the U.S. probably enjoys at least parity, with the Soviets in nuclear arms. Day by day the Soviet Union becomes stronger militarily, and its policies and actions reflect this fact of life. Yet one could ask

the sixty-four dollar question why didn't the U.S. strike against the Soviets when the U.S. had a monopoly on the atomic bomb?

The primary answer seems to be that in past periods, when the Soviet Union was still socialist, or even in the present—when it is not—the politics of such a thrust might have boomeranged against the U.S. bosses. As we pointed out earlier, such an action by the U.S. could leave it isolated from its friends and open to defeat by its enemies. In every period except the Cuban missile crisis, U.S. rulers backed away from nuclear war because they thought they couldn't win. Losing a nuclear war would have meant loss of the best of all possible worlds for the U.S. ruling class. Was a nuclear gamble worth it is the question with which they had to grapple.

The other aspect, secondary but important, is that U.S. bosses are chicken shit! U.S. bosses only like sure things. **There are no more sure things for U.S. imperialism.** Korea and Vietnam proved this. Both the U.S. and Soviet bosses are like two punchy heavyweight boxers circling each other, both fearing the knockout blow. This has lent itself to a certain amount of restraint. This restraint—if you can call it that—is slipping. On the one hand, the U.S. bosses are sliding into the position of not having all that much to lose by igniting nuclear war. The Soviet bosses are gaining strength and similar logic of striking sooner rather than later, is true for them. On balance, the Soviets seem to have acted more boldly than U.S. bosses. Soviet actions in Hungary, Czechoslovakia, Angola, Ethiopia, etc., appear to bear this out. The two imperialists are on a collision course.

Assuming that the first blow may come from the Soviet Union, it appears that the U.S. is planning to fall back to the

Americas, its most secure areas. Military, political, and economic control by the U.S. bosses still seems possible over the U.S., Canada and Latin America. It's also quite possible that Cuba, the Soviet outpost in Latin America, so close to the U.S. mainland, will be wiped out by the U.S. Probably, other Soviet inroads in Latin America (presently in Peru, previously in Chile) could be reversed. The bottom line for U.S. imperialism would be to maintain some limited trade in the world, while converting the Americas into a formidable military bastion. The U.S. would still maintain its nuclear punch, thus limiting the capability of the Soviets and others to penetrate the Americas.

Part of the concept of the "Fortress America" would be to turn this continent into a "garrison state." This was the original formulation developed in the

fifties by the Rockefeller brain trust. This means, in reality unbridled fascism. The working class would be forced to pay for "Fortress America," as it is always forced to pay for capitalism's weaknesses. Any illusion that fascism under these conditions would be "benign" is a pipe dream. Hitlerism would seem like a picnic compared to the fascist development in the U.S.

But sooner or later the laws of the development of imperialism would dictate war against the fascist Americas by another combination of imperialists led by the Soviet Union. Thus, the prospect for world war is sooner than later. The primary possibility is for war before the U.S. could ever pull back to the Americas. This war would mean the end of capitalism and the destruction of the imperialist system. ●

March 15, 1978



In a subsequent article we will deal with the strategy for the working class and its revolutionary forces prior to war and fascism. What will be the strategy and tactics of the workers and its party in the event of war? What should our attitude be about nuclear war. Why the world won't be destroyed by nuclear war.

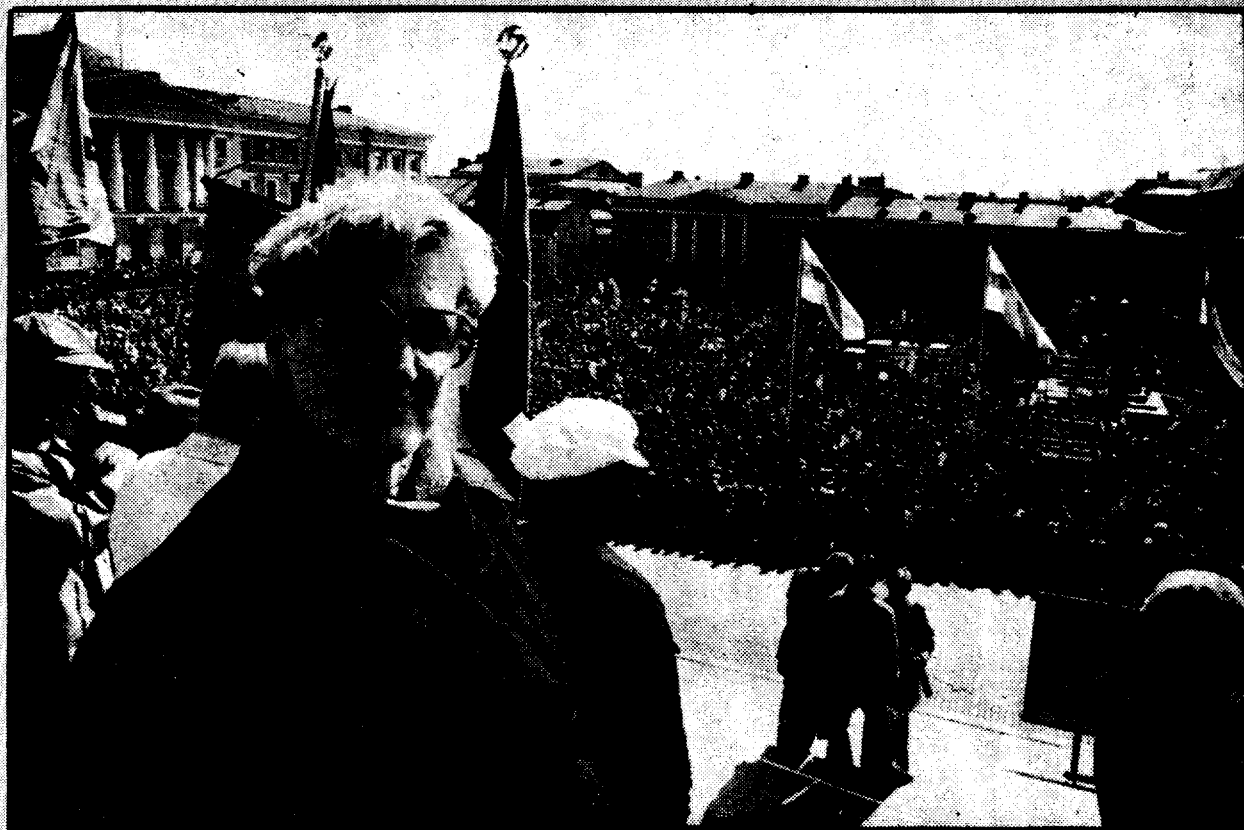
May Day 1978



Chicago



Madrid, Spain



Helsinki, Finland



PLPers unfurled the red flag of socialism inside the White House during May Day celebration.

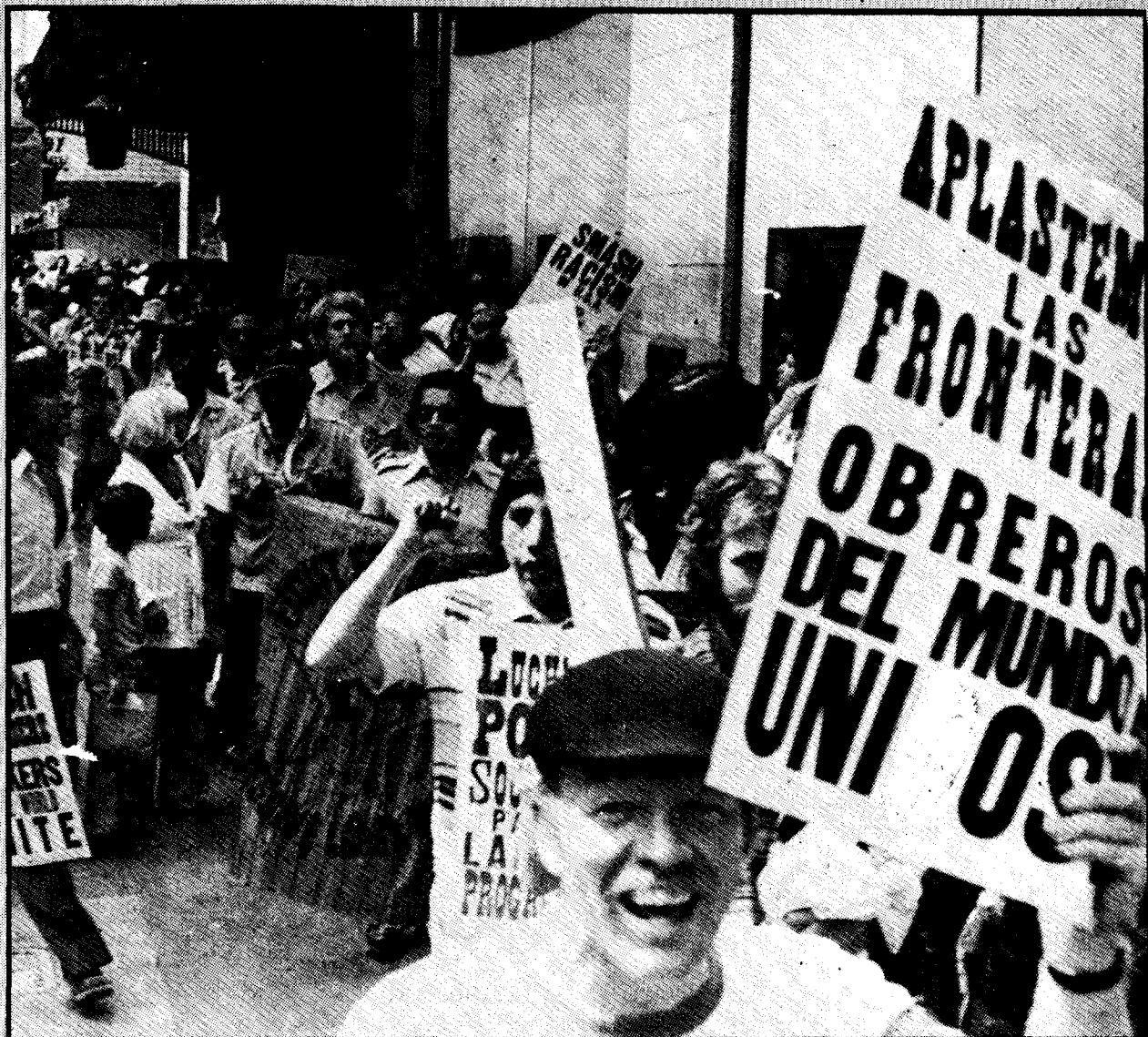
Washington



Los Angeles



Houston



Capitalist society means death, destruction and ruination for millions of workers each year. Class war is not limited to only armed warfare. Class war takes place every day on the job, in the schools and in the communities.

The Falling Rate of Profit

by Ira Steward

The crisis of U.S. capitalism is entering its second decade. The politicians, the economists, the newspapers and the T.V. tell us that there was a

"recession" in 1974-5 from which we are now recovering rapidly. But the facts tell another story. Unemployment is "only" 6,000,000 people—plus 3,000,000 more who hold part-time jobs but want full-time jobs (and a "part-time job" may mean only a couple of hours a week). Another 5,000,000 or more "would like a job now," the government admits. The government only counts as unemployed those who can "prove" they are looking for a job. And the government admits that unemployment for 16-19 year-olds is 44.3%—66.3% for minority youth.¹ Wages remain **below** the level of 1965, after taking inflation into account. After-tax wages in 1967 dollars for the average private non-agricultural production worker with three dependents was \$91.32 in 1965 and \$90.49 in January 1977.² And that does not count the cutbacks in social services from education to public transportation, from medical care to parks, libraries, fire protection, etc. These cutbacks have reduced the goods and services received by the working class.

Times are not very good for the U.S. capitalists either, although the capitalists have forced the working class to bear the brunt of the crisis.³ U.S. imperialism continues to decline relative to other imperialists, especially the U.S.S.R. The **rate of profit** for U.S. capitalists, the crucial barometer of the health of the capitalists, remains depressed way below the high levels reached in the boom times of the early

Brookings Papers on Economic Activity, 1:1974

Genuine rate of return

| Year | Before tax (r_1) | After tax (r_2) |
|------|----------------------|---------------------|
| 1948 | 17.3 | 9.7 |
| 1949 | 14.5 | 8.8 |
| 1950 | 16.7 | 7.5 |
| 1951 | 16.5 | 6.4 |
| 1952 | 13.8 | 6.0 |
| 1953 | 13.3 | 5.5 |
| 1954 | 12.5 | 6.2 |
| 1955 | 15.5 | 7.9 |
| 1956 | 13.4 | 6.5 |
| 1957 | 12.2 | 6.1 |
| 1958 | 10.4 | 5.4 |
| 1959 | 13.0 | 6.8 |
| 1960 | 12.0 | 6.3 |
| 1961 | 11.8 | 6.3 |
| 1962 | 13.5 | 7.9 |
| 1963 | 14.0 | 8.1 |
| 1964 | 15.0 | 9.1 |
| 1965 | 16.3 | 10.0 |
| 1966 | 16.1 | 9.9 |
| 1967 | 14.0 | 8.8 |
| 1968 | 14.0 | 8.1 |
| 1969 | 11.6 | 6.4 |
| 1970 | 9.1 | 5.3 |
| 1971 | 9.6 | 5.7 |
| 1972 | 9.9 | 5.6 |
| 1973 | 10.5 | 5.4 |

1. On the real number of unemployed people, see D. Gordon, "Counting the Underemployed," Union for Radical Political Economics Newsletter, Jan.-Feb. 1977. He quotes from the Employment and Training Report of the President, 1976. On unemployed youth,

1960's. The U.S. ruling class has not been able to resolve any of the contradictions which underlie the decline of U.S. imperialism. A good symptom of the deep contradictions facing the U.S. ruling class is their inability, in spite of lots of effort and attention, to come up with a coherent energy policy. More drastic measures—such as a move towards fascism—will be the only way for U.S. capitalists to “solve” the economic crisis in time to face up to the Soviet threat to the U.S. empire.

I. HOW CAPITALISM GETS INTO AN ECONOMIC CRISIS

The current U.S. economic crisis is not simply a phase of the “business cycle” or a “recession.” Bourgeois economists regard the economy as though it were a machine that regularly cranks out a series of ups and downs.⁴ Some of these cycles are deeper or longer, but the bourgeois economists explain them all in more or less the same way. Marxist analysis, however, distinguishes between short-term fluctuations and a true structural crisis that represents an historical turning point in the development of the capitalist system. The U.S. economy is now in the midst of such a crisis. This does not mean that the economy is headed on a straight line down. The general trend is decline, but there may be periods of relative prosperity (such as 1972-73 or 1976-7) as well as periods of sharp decline (such as 1970-1 or 1974-5). Similarly, during a period of rapid accumulation there are also periods of decline (such as 1957-8). Underlying these short-term fluctua-

tions, however, there is a longer-term trend. This essay will explain the causes of this longer-term trend. Underlying the longer-term trend, in turn, are the general contradictions of capitalism, by which capitalism gives rise to its gravediggers (the working class). In the current era of capitalism, the era of imperialism, capitalism is generally on the decline and socialist revolution is the trend.

The falling rate of profit has been the basic cause of the economic ills plaguing the ruling class in the past decade—from the accelerating inflation and slower productivity increases of the late 1960s to the steep recession of the 1970s. Profits are a form of surplus value. Surplus value comes from the unpaid labor of the workers. Part of the time that workers work, they are producing the equivalent of the commodities they consume. But workers work longer than just this necessary labor time. It is these “extra” hours of labor—what Marx calls “surplus labor”—that is the source of all profits. Capitalists can force the workers to work these extra hours because the capitalists own the factories, which are necessary for production. For example, the capitalists may force the workers to work 8 hours a day, whereas it may only take four hours to produce the equivalent of the goods that the workers consume.

Capitalists try to increase the surplus labor-time in two ways:

1. By lengthening the working day. For instance, they force both husband and wife to work for wages, thereby doubling the time the capitalists get from each

see the *New York Times* article reprinted in *Challenge-Desafio*, August 17, 1977. In New York City, youth unemployment was 78%—86% for minority youth.

2. U.S. Bureau of Labor Statistics, *Handbook*, 1976; *Monthly Labor Review*, March, 1977.

3. There has been some economic recovery since March 1975. By the first quarter of 1977, industrial production was up 17%. But that was only 6% higher than in November 1973. The recovery has been fueled largely by consumer spending: consumption rose 11.8% after inflation was taken out. Workers have been spending more than they earn; total compensation of employees rose only 6.4% in noninflated dollars. This means that workers have been going into debt in order to keep up their old standard of living. But a recovery based on the quicksand of consumer debt can't last. Pretty soon workers cut back their spending as debt payments get high. Also the government has been cutting back its spending, especially at state and local levels.

The real engine of capitalism is the accumulation of capital, and that has been very weak recently. Investment (non-residential fixed investment, to be technical) in the first quarter of 1977 was still 6.1%

lower than in November 1973. Nor is there much prospect for an increase in investment soon: profits are only 3% higher than in November 1973, after adjusting for inflation. The recovery has never taken off—there was a lot of wing-flapping, but the economy is going to fall flat on its face soon. In Europe and Japan, the economy has been even weaker than in the U.S. Carter and Co. hoped the U.S. (with Germany and Japan) could stimulate the world economy; instead, the slowdown overseas is dragging down the modest U.S. recovery.

4. Conservative bourgeois economists deny that there is any business cycle. They say that recessions come only when there is an “external shock” like the oil crisis, which they claim was not caused by the U.S. economic system. In reality, it was the decline of U.S. imperialism that allowed the OPEC bosses to raise oil prices. Conservative economists like to blame recessions on bad government policies; as if a “good” capitalist government could avoid the inevitable contradictions of capitalism! Back in the heyday of the 1960s, many liberal economists also claimed that capitalism would never again go through a crisis—a claim they have quietly buried.



family. Capitalism forces more and more people to work for wages. Recently, many people who previously would not have worked for wages have been forced to look for part-time jobs: students, parents of young children, older people, and so on.

2. By reducing the proportion of the day spent on necessary labor. If the capitalists can increase productivity so that workers can produce the equivalent of the goods they consume in two hours instead of four, then the capitalists get six hours of surplus labor instead of four.⁵

In a period of rapid growth, capitalists are making lots of surplus value. They invest most of this surplus value in new factories in order to produce more surplus value. Each capitalist is forced to invest as fast as he can. If he falls behind his competitors, then he will be stuck with old, less productive machinery. His costs will be higher and his profits lower than his competitors' profits. Due to the anarchy of capitalist production, each capitalist must invest even when there is too much capacity to meet the demand. ("Demand" in the sense of what people can afford to buy, not "what people need"—capitalists don't care about people's need, they only want profits.) Each boss hopes to have the lowest costs so that he can capture the market and drive his competitors out of business. When capacity exceeds what people can afford to buy, then the competition gets rough—price-cutting starts, governments block imports to protect local producers, capitalists must cut their production. The capitalists have lots of capital tied up in the factories

but, since only a few factories are working, there are only a few workers from whom the capitalists get surplus labor.

The result: the rate of profit falls, **The rate of profit is the ratio of profits to the capitalists' investment.** For example, suppose the X-Ploting Co. owns three factories, each of which took 1,000,000 hours to build. Suppose, too, that each factory employs 1,000 workers, each of whom works 2,000 hours a year—half necessary labor, and half surplus labor. Then if all 3 factories are working, the rate of profit is

$$\frac{3,000 \text{ workers} \times 1,000 \text{ hours per worker}}{3,000,000 \text{ hours in capital}} = 100\%$$

But if only two factories are working, then the rate of profit is

$$\frac{2,000 \text{ workers} \times 1,000 \text{ hours per worker}}{3,000,000 \text{ hours in capital}} = 67\%$$

A good example of this process is the steel industry. The U.S. steel companies stopped investing years ago, and their machinery has become outdated. The American Iron and Steel Institute's own study found Japanese productivity in 1975 was 18.5% **higher** than U.S. productivity—with a 100% increase since 1967 versus a 16% increase in the U.S. As a result, U.S. steel companies make low profits (4.5% in 1976) and are being squeezed out of markets by cheaper Japanese and European steels. Thanks to the rapid investment in steel mills overseas (a 400% increase in capacity in Japan since 1960) there is capacity to produce 550 million tons per year in the U.S., Japan, and the Common Market—but consumption will only be 250 million tons.

⁵ Marx called the surplus value produced by the first method "absolute surplus value"; by the second method, "relative surplus value." He discusses these concepts in *Capital*, Volume I, Parts 3, 4, and 5. See especially Chapter 12, "The Concept of Relative Surplus Value."

This excess capacity puts a real squeeze on the rate of profit. For example, British Steel—even more backward than U.S. steel companies—lost \$593 million in 1975 and 1976. The result: cut-throat competition (Armco recently cut prices on some steel \$50 a ton in what it calls a “foreign fighter”), plus lots of hollering about the need to reduce imports. The U.S. has already imposed quotas on some specialty steel imports and is considering more quotas.⁶

To sum up: one way that capitalism produces crisis is through the anarchy of capitalist production, where each capitalist decides for himself how much to invest without any plan co-ordinating the growth in capacity. The result is over-production, excess capacity, and a falling rate of profit.

But there is another way that the laws of capitalism bring on crisis. That is through **automation**. When capitalists build new factories, they must hire more workers. At first, these workers come from the ranks of the unemployed. But eventually the “reserve army” of unemployed gets smaller. Now capitalists have a problem: how can they keep on increasing production when it is hard to find new workers? The answer is automation. The capitalists introduce new machinery which can produce more goods per worker. In this way they can expand output without hiring more workers. This means the capitalists will use more machinery and fewer workers than before.

Automation can also reduce costs—it is cheaper to introduce machinery than to pay higher wages. When unemployment is low, workers can more easily strike for higher wages. Therefore when the labor supply gets tight, capitalists have an extra incentive to replace workers with machines—which can’t strike.

But automation does not end the capitalists’ problems: now they are faced with a new contradiction. The automated machinery costs a great deal. If the

capitalists’ rate of profit is going to stay the same, then their profits will have to go up as fast as the costs go up. Profits are produced by surplus labor time put in by workers. **The automated machinery does not produce any profits. Workers are the only source of profits.** Automation means fewer workers relative to the total cost of the factory. So costs are going up while profits remain the same. This results in a **falling rate of profit**. For example, suppose the Low-Wage Company has a factory which took 1,000,000 to build and requires 1,000 workers, each of whom works 2,000 hours a year with 1/2 being surplus labor and 1/2 necessary. Then the profit rate for Low-Wage is

$$\frac{1,000 \text{ workers} \times 1,000 \text{ hours}}{1,000,000 \text{ hours in capital}} = 100\%$$

But then Low-Wage Co. builds a new, **automated plant** which takes 4,500,000 hours to build and uses only 1,500 workers. The rate of profit on the new plant is

$$\frac{1,500 \text{ workers} \times 1,000 \text{ hours}}{4,500,000 \text{ hours in capital}} = 33\% \quad ^7$$

II. THE SOURCES OF THE CURRENT CRISIS

This process of automation leading to a falling rate of profit has been a major cause of the current crisis. Right after World War II, capitalists did not need to automate. There were millions of workers willing to work for low wages, especially in Japan and in Germany. The capitalists made a bundle, and they expanded their factories more and more. They needed many new workers. In the U.S. black workers coming from the South were drawn into industry. As this source of new workers dried up, women workers (ex-housewives) were drawn into the wage labor force, along with

6. See the *Challenge-Desafio* series on the steel industry September 1, 8, and 15, 1977. Also see *Business Week's* cover story on steel Sept. 19, 1977.

7. Both this example and the previous example about “X-ploiting Co.” are greatly simplified; they leave out many important aspects of the law of the tendency of the rate of profit to fall. Marx set forth this law in *Capital*, Volume III, Chapter 13. If you would like to learn more about Marx’s theory of the rate of profit (and if you already understand the concepts “variable capital,” “constant capital,” and “rate of exploitation”—explained in *Capital*, Volume I, Chapters 7, 8, and 9), then it would be good to read Volume III,

Chapters 2, 3, 8, 9 and 10 before reading Chapter 13.

One issue which has been side-stepped in the text above is the formation of a *general* rate of profit. The rate of profit received by each company depends not only on its efforts but also on the efforts of all capitalists. The general rate of profit is determined by the ratio,

$$\frac{\text{total surplus value in society}}{\text{value of total capital in society}}$$

When any individual capitalist automates his factory, he hopes to maintain or raise his rate of profit. How? By “capturing” part of the surplus value produced by workers in other firms.

undocumented immigrants. In addition, U.S. capitalists exported capital to Asia, Africa, and Latin America to exploit workers there.

The capitalists faced a problem: how could they expand output? It was hard to find more workers in the imperialist countries, especially at low wages. There were lots of potential workers in Asia, Africa, and Latin America, but investment there was not so safe—U.S. capitalists were getting expropriated (Cuba alone cost the capitalists about \$1 billion). And the U.S. government was not able to do much to stop the expropriations. The Bay of Pigs invasion was a fiasco, and the war in Vietnam was even worse. At home, black workers were rebelling.

The capitalists pushed ahead with automation: machines won't fight back. Automation took many different forms. One of the most important was the use of computers to replace clerical workers; now small computers are increasingly controlling machinery on the shop floor. Automation made sense for each individual capitalist; it would cut costs through higher productivity. But for the capitalist class as a whole, automation was a loser; machines don't produce surplus value. When surplus value rose less rapidly than investment, the result was a **falling rate of profit**.

Even though the rate of profit was falling, U.S. capitalists were forced to keep investing in new factories. What capitalists want to do makes little difference; they are **forced** by the laws of capitalism to act in certain ways. Each capitalist is under the whip of competition. If he does not invest and his competitors do invest, then his competitors will be able to produce a better product at lower cost. U.S. capitalists have been losing out to the competition. Their factories have been growing old and out-of-date, while the Germans, Japanese and Soviets have been building new and more productive factories.

The war in Vietnam really hurt U.S. capitalists—over \$112 billion in surplus value poured down the drain from 1964 to 1975, that is, about 10% of all the investment in the U.S. from 1964 to 1975—money that would have been used to rebuild many industries. Take the example of the auto industry. In 1960, one-half of the world's cars were made in the

U.S. In 1975, U.S. firms made 6.7 million passenger cars while the Germans, French, and Japanese alone made over 10.5 million. Japanese manufacturers are leaders in new technology from pollution control to better gas mileage.

In a vain effort to keep up investment, U.S. corporations in the late 1960s and the 1970s borrowed massive amounts of money. They hoped that borrowing money would allow them to keep investments high even while the rate of profit was falling. But this borrowing only postponed the day of reckoning. Interest payments on the debt came to absorb so much surplus value that little was left for investment. Corporate "liquidity" (assets and cash compared to debt) dropped below sight. Some big corporations, such as Lockheed, owed more than they were worth.

Banks, which had lent money like crazy around 1970, were skating on thin ice. Billions in loans were going bad.⁸ First the real estate market went bad, forcing banks to write off several billion dollars in loans to Real Estate Investment Trusts (REITs). When a bank writes off a loan, that means the bank does not expect to get paid back—the loss comes straight out of profits. The oil tanker loans in the billions became shaky. Now there are worries about the well over \$20 billion that U.S. banks have lent foreign governments in Africa, Asia, and Latin America. Peru has defaulted on its loans, Zaire has stopped paying anything but the interest, and Turkey and Zambia are in poor shape to pay back their loans. Two billion-dollar banks (Franklin National in N.Y., U.S. National in California) failed in 1974. Most of the biggest banks, like the Rockefellers' Citibank, were on the Comptroller General's list of banks in trouble in 1976.

Banks could not make loans and business could not keep up the dangerous level of indebtedness. Therefore, capital spending had to be cut back. When there was less spending, then companies could not sell as much. They did not need as many workers, so they laid some off. These workers did not have as much income, so they spent less. Therefore, there were lower sales, so companies cut back production and laid off more workers. And so on until there was mass unemployment and many factories standing empty: an economic crisis.

8. For an excellent account of the perilous condition of the banks, see "Banks: Skating on Thin Ice," *Monthly Review*, February, 1975.



PLP leads workers to smash fascists.

III. HOW CAPITALISM GETS OUT OF AN ECONOMIC CRISIS

The economic crisis is not permanent, any more than the period of rapid growth was permanent. The laws of motion of capitalism give rise to a continuous succession of crises and of periods of rapid growth. There is no economic crisis from which capitalism cannot emerge, no "catastrophe" from which it can not escape. In the imperialist era—the era of the general decline and crisis of capitalism—ending any specific crisis will generally require "extra-economic" measures such as war. War doesn't necessarily end capitalism, however; after World War I and World War II, capitalism was still able to hold on in most countries (but not all: World War I gave rise to the Russian Revolution and World War II speeded the Chinese Revolution's victory). Capitalism will end only when the working class, led by a communist party, seizes state power and takes control of the economy, the culture, and all of society.

Capitalism has several ways of getting out of a crisis. The main ways are:

1. **Increasing the exploitation of the working class through longer hours and lower wages.** Capitalists make the work-

ers pay for the crisis—wages are lowered and public services are cut. This helps capitalists meet their "capital shortage."

2. **Restructuring industry.** Capitalists take the surplus value squeezed from the working class and use it to restructure industry so that productivity is much higher. When productivity is higher, it takes workers less time to produce the equivalent of the goods they consume—so a bigger part of the working day goes to the capitalist as surplus labor. This raises profits.

3. **Destruction of capital.** When times get bad, capitalists' competition gets tough—it becomes "dog eat dog." Some capitalists, especially the smaller ones, lose out. They either go bankrupt or sell out at bargain prices to the big capitalists. In either case capital **as value** is destroyed. The physical capital, however, may never get hurt, as in the U.S. depression (i.e. what it is worth)—or it may be destroyed, as in war. In wars like World War I and II much capital is destroyed, so the rate of profit goes up after the war. When value is destroyed, the rate of profit goes up. Let's see how this happens. Suppose that there are ten firms with a capital of 100,000 each and General Monopoly (GM) with a capital of 2,000,000. Total capital is then 3 million.

If surplus value is 1 million, then the rate of profit is 33%. Now suppose the small firms sell out to GM at half price. Surplus value is still 1 million, but capital is only 2.5 million—so the rate of profit is 40%. The conclusion: mergers and bankruptcies lead to higher profit rates.⁹

Right now, there are a lot of such mergers and bankruptcies. The result is the ever-tighter control by a smaller and smaller group of monopoly capitalists (what Marx called the concentration and centralization of capital). For example, Grants and Kinney Shoes (United Merchants) went bankrupt recently. On the merger front in 1977, General Electric took over Utah International in a \$2.2 billion deal, and United Technologies is fighting for Babcock and Wilcox (1976 sales of \$1.7 billion). Those capitalists who are going under or being bought out resist. This creates a lot of tension among capitalists. Economic crises are a time when the contradictions among capitalists become sharp. The capitalists in declining industries resist efforts to "rationalize" the economy (for higher profits)—witness the fight over energy policy.

4. War to shift the burden of the crisis on to capitalists of another country. During crisis, the contradictions among capitalists become acute as each group of capitalists tries to shift the burden of the crisis on to some other group. In the imperialist era, when capital has become concentrated into gigantic trusts and when the state has come under the close control of these trusts, the conflicts among capitalists are mainly organized through the state. The ultimate form of capitalist competition becomes **war**. The victor in a war may be able to grow rapidly because the competitors have been destroyed; witness the growth of U.S. capitalism after 1945. On the other hand, the defeated capitalists may be able to bounce back eventually: much of their capital has been devalued through physical destruction, so their rate of profit has risen. When the capitalists in the defeated countries build new plants, their plants will be more efficient than those in the victor country; witness Japan and Germany after World War II (or Germany after World War I).

In this century, world crisis has led to world war. Each world war has been more terrible and destructive than the last; if there is to be a World War III, it will undoubtedly be even more barbarous and murderous. Capitalists will shrink from no evil in their desperate struggle to shore up their system. Yet no war among capitalists, no matter how horrible, will end capitalism by itself. War may open the door to revolution, but there must be a communist party ready and able to lead the working class through the door and on to the dictatorship of the proletariat. That is why our efforts to build the Party now are of such crucial importance.

It does not appear that the current U.S. economic crisis can be ended by the devaluation of capital and the restructuring of industry alone. U.S. industry has fallen too far behind; U.S. machinery is becoming too old and less competitive. While output per man-hour doubled in Japan from 1967 to 1974, it rose less than 30% in the U.S. (the worst record of any major country except Britain). Vast amounts of capital will be needed to restore the U.S. economy. The N.Y. Stock Exchange estimated that it would take \$4.69 trillion in investments from 1975 to 1985 just to keep unemployment below 4%.

In order to generate these funds—to fill the "capital shortage"—**open terror** over the working class will be needed. We don't have space here to analyze the political crisis facing U.S. capitalists at home and abroad. From analyzing these crises, our Party has concluded that the open terror over the workers will take the form of fascism. We also expect that the decline of U.S. imperialism, along with the rise of Soviet imperialism, will lead to World War III. A nuclear war would certainly destroy much capital, so the victors will have a high rate of profit afterwards **unless** we organize, beginning now, to turn the imperialist war into a civil war for socialist revolution.¹⁰

IV. THE FALLING RATE OF PROFIT

The decline in the rate of profit has been so pronounced that bourgeois econo-

⁹ See Marx, *Capital*, Volume III, Chapters 14 and 15; "Counteracting Influences" and "The Internal Contradictions of the Law" of the tendency of the rate of profit to fall.

¹⁰ See "U.S. Depression Opens the Road to Revolution," *PL* magazine, Volume 9, number 6, Spring 1975.

Note that not every crisis leads to fascism—the U.S. capitalists got through the depression of the 1930s without fascism. But now, the U.S. is a declining imperialist power, faced by a challenge from a rising imperialist (the U.S.S.R.).

mists cannot ignore it. William Nordhaus, who used to be a professor at Yale and who is now one of the three members of Carter's Council of Economic Advisers, wrote an article about it called "The Falling Share of Profits." The article, which has been widely quoted, appeared in 1974 in the *Brookings Papers*, published by the Brookings Institution, the leading liberal ruling class think-tank. Nordhaus does a lot of calculations in order to produce figures on the rate of profit. The usual government statistics on the rate of profit suffer from a lot of weaknesses. For one thing, they don't take into account the effects of inflation. Inflation makes it more expensive to build factories; the same factory that used to cost \$100 million would now cost \$150 million. When companies calculate their profit rate in their annual reports, they usually ignore inflation—which means that they underestimate how much capital they have invested and therefore they **overestimate** the rate of profit (for example, \$30 million in profits on a \$100 million plant is 30%, but on a \$150 million plant, \$30 million is only 20%). There is big flap now about how to change accounting rules so that inflation can be taken into account; this would reduce reported profits. Another problem with the usual figures on profits is that they do not include interest payments. Interest, like profit, is a form of surplus value; interest goes to financial capitalists instead of industrial capitalists. Nordhaus includes interest payments in his calculations.

From a Marxist perspective, there are other problems with this bourgeois data on the rate of profit. Rather than going into the details of the debates around the Marxist theory, we will note the main questions in the debates:

1) State expenditures. Some feel that all government spending comes out of surplus value, and therefore taxes should be added to corporate profits and to interest payments when discussing the falling rate of profit. Obviously some government spending is not from surplus value—for example, in the U.S.S.R., state expenditures include most of the costs of industry. Besides these state capitalist expenditures, some government spending (like social security) is regarded by some people as a "social wage" that should be included in the wages of the working class and not in surplus value.

2) Unproductive workers. Some say that part of surplus value goes to support

unproductive workers, whose wages should therefore be added into the total figure on profits. Others disagree, partly because of a dispute over who is a productive worker.

3) Value or price? Some would say that the relevant rate of profit is the rate received by capitalists who invest in corporations (the immediately observable rate of profit). Others argue that the correct rate is the rate calculated in terms of labor hours.

4) The amount of capital. The rate of profit is a ratio whose denominator is the amount of capital. Marx implies that the denominator should be amount of capital used up in the production process (that is, the depreciation and the raw materials). But it might be better to use as denominator the amount of capital which the capitalists have invested (not all of which is used up in any year).

Nordhaus summarizes his statistics in a table on the rate of return on corporate capital (see table below). We have added a couple of charts from *Business Week* (23 June 1975) on the increase in capital invested, the rise of borrowing, and the decline in wages. These charts and tables may not be the most satisfactory from the perspective of Marxist theory, but they do indicate the general trend of the last 30 years. The rate of profit was high for twenty years (14.1% average 1948-1966), with a dip during the business cycle in the late 1950s (touching bottom at 10.2% in 1958), and then a sustained rise until the late 1960s. Since then, the trend is down (the 1969-1973 average was 10.2%). Nordhaus is correct when he says that "The basic facts of this rather complicated argument are not in dispute. Over the post-war period the share of measured profits has declined in a dramatic way."

Another top economist, Martin Feldstein (a Harvard professor), has tried to dispute Nordhaus in the 1977 *Brookings Papers*. Feldstein admits that Nordhaus' statistics are O.K.—but Feldstein says that the reason profits are so low is because of the economic crisis. This is precisely backwards: it is the low rate of profit which has been the source of the economic crisis. Feldstein wants to blame the crisis on "external shocks" like the OPEC oil price rises; that way, he can blame Arab oil sheikhs instead of capitalism for the crisis. Feldstein says we should look at the average rate of profit over many years. The average of the years of high profit and the years of low profit is: a steady, medium rate of

profit! That is rather like a weatherman who says we should look at the average temperature during the course of the year, and then tried to convince us that there is no winter and no summer—because the average temperature stays constant! Feldstein's statistical tricks are meant to "prove" that capitalism does not have recurring crises.

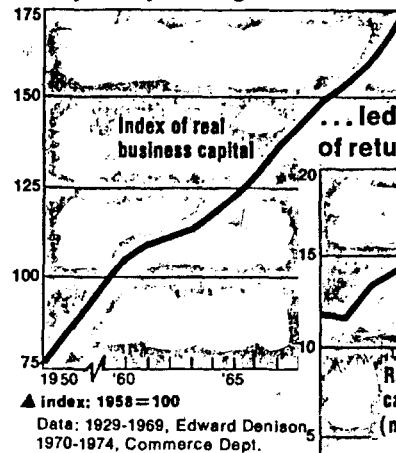
But at least Feldstein understands that there is an economic crisis. Nordhaus is dense enough to argue that the rate of profit has been falling because businessmen are so confident about the future that they don't "demand" as high a rate of profit as they used to, when they were more worried! What nonsense! If the rate of profit were determined by the level capitalists "demand," then it would be sky-high, because capitalists want as high profits as they can get. Nordhaus, like bourgeois economists in general, pretends that the economy is all a matter of what "we" choose. Marxists, on the other hand, realize that capitalism is a system with certain laws of motion which are outside the control of any individual. The ruling class did not "choose" to have lower profits or an economic crisis: the falling rate of profit was forced on them by the contradictions built into the capitalist economic system. It is idiotic to say that businessmen are more confident about the future than they used to be. The U.S. ruling class realizes that their future is bleak, and that is a major reason why they are not making major new investments in this country.¹¹ Economists like Nordhaus can't understand

11. A good account of the pessimism among U.S. capitalists is in the *N.Y. Times*, July 10, 1977: Ann Crittenden, "Why does a 'Healthy Economy' Feel So Bad?" She quotes Nordhaus to show that the little investment that is going on is in machinery (modernizing old plants) rather than in new factories (expanding output). The pessimism of businessmen reinforces the lack of profits with which to fund reinvestment.

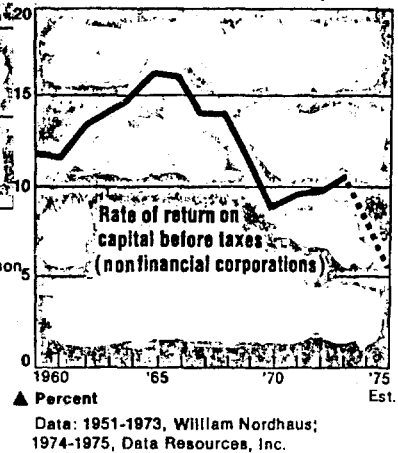
Why Marxian economists see a continuing U.S. economic crisis:

The long post-World War II capital spending boom ...

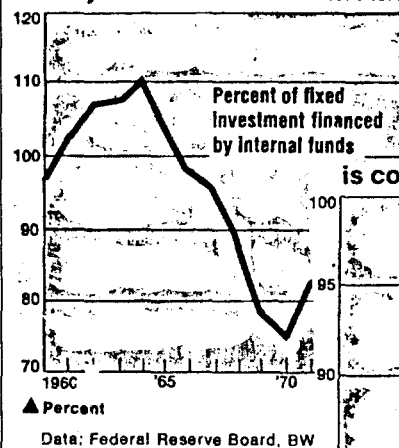
BUSINESS WEEK: June 23, 1975



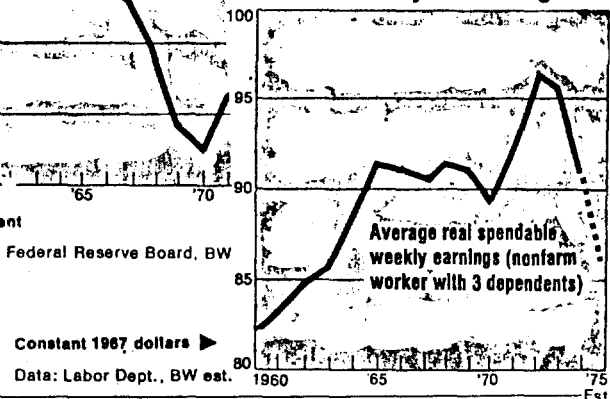
... led to a slump in the rate of return on invested capital



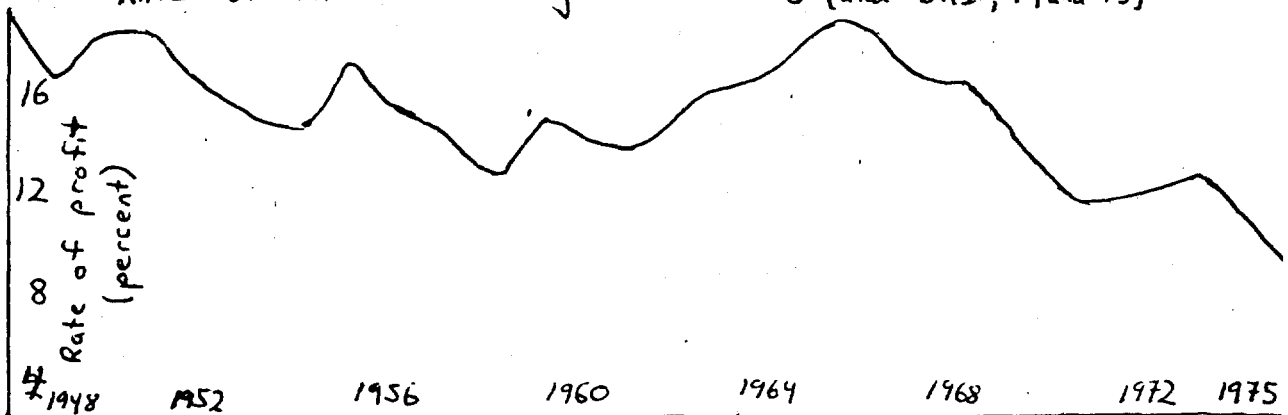
This pushed corporations heavily into debt

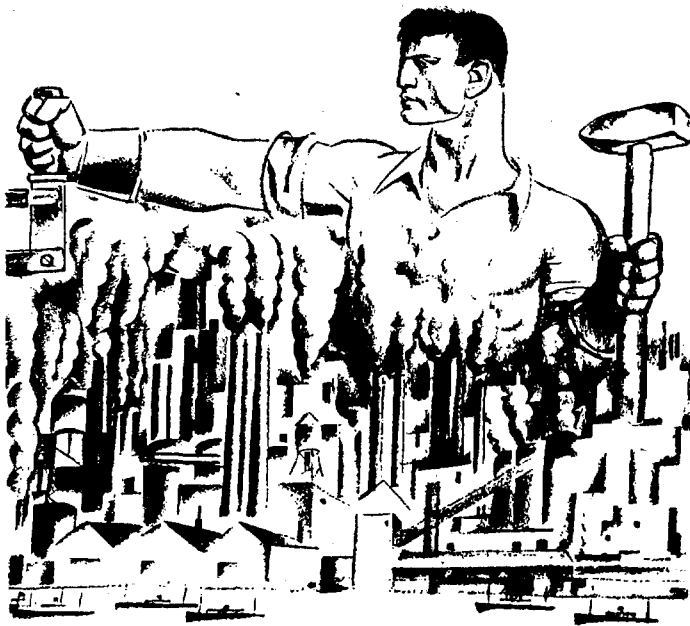


The result, Marxians argue, is continually lower wages



RATE OF PROFIT according to Nordhaus (and DRI, 74 and 75)





why capital investment has been so low during the last two years. These bourgeois quacks are only looking at the short-term partial recovery of the U.S. economy rather than the long-term economic crisis which is holding back businessmen.

V. REVISIONISTS TRY TO OBSCURE THE LAWS OF CAPITALISM

Bourgeois economists can't see the economic crisis around them. Revisionist economists (so-called "radicals") fall into another mistake—they claim that the capitalists engineered the crisis in order to discipline the working class.¹² These "radicals" say that capitalists wanted to increase unemployment in order to hold down wage increases. This silly theory implies that capitalists are all-powerful, that they can do whatever they want to. This is the "radicals" excuse for doing nothing to overthrow capitalism. They are dominated by a

petty-bourgeois fear of workers and of the working class discipline of a revolutionary communist party like the PLP. Often they fight real communists much harder than the ruling class does. But in reality, capitalists are subject to the laws of capitalism. Contradictions arise within the capitalist accumulation process which force the capitalists to take actions they would rather avoid.

Capitalists don't like crises. In a crisis, some capitalists go bankrupt. There is always the possibility of losing an imperialist war, and then the losing capitalists are out of luck for many years. Capitalists don't "like" to fight each other; they would "much rather" co-operate to screw the working class collectively. But in a crisis, the capitalists **have** to fight each other to survive. These struggles can become the main contradiction on a world scale, as in World Wars I, II, and soon III. Capitalists don't **want** these struggles; for instance, many sections of the U.S. ruling class wanted **detente** with the U.S.S.R. (and ditto for large sections of the Soviet ruling class). Nixon's openings to Brezhnev were very popular with capitalists upset over the drain of military spending (Vietnam, etc.), which had set back the modernization of U.S. industry. Other capitalists hoped for big trade deals with the Soviet bosses. But the objective necessity of inter-imperialist rivalry made detente impossible. The U.S. ruling class has been **forced** to abandon the dream of peacefully dividing the world with the Soviet ruling class.

It is this kind of conflict among capitalists which is central to capitalism; it is a motor driving capitalism into crisis and bringing it out again too. When the so-called "radicals" ignore the conflict among capitalists, they reduce capitalism to a conflict of wills between workers and capitalists. It was Marx's insight to show that capitalism was a **system**, with laws of motion, and not a brute contest of wills.¹³

12. This is a particularly popular "explanation" for the "energy crisis." Sure, the big oil companies are in a position to rip off the working class in many different ways. But, as we have continually said, the main reason for the rise in oil prices has been the increased strength of the OPEC bourgeoisie relative to the U.S. and other Western bourgeoisies. Similarly with Carter's energy plan—it is *not* primarily a scheme to soak workers. It is mostly an inducement to restructure U.S. industry so that production can soar again (at a higher level of productivity—restoring U.S. competitiveness and allowing for wage increases). On this front, the plan is totally inadequate and doomed to failure.

13. When revisionist "radicals" say that a conspiracy by the capitalists provoked the crisis, they are implying that if only the "good" politicians are in control, then there would never have been a crisis. For these "radicals," the solution to crises is to elect liberals or phony, so-called "socialists" to political office. The fact is that the liberals and "socialists" will end up being forced to follow basically the same policy as the conservatives. There is only one way to end crises, and that is to end capitalism, the cause of crises.

We should mention a couple of other incorrect theories about economic crisis which try to pass themselves off as Marx's theory of the falling rate of high wages caused the crisis which boils down to blaming the victim (the working class) for the disease (capitalist economic crisis). During an economic crisis, **both** wages and profits fall.¹⁴ profit showed that the relation between profits and wages is more complex than it might appear at first glance. It is not true that profits will necessarily rise during periods of low wages (or vice-versa). When capitalists automate, the rate of profit can fall even when wages are being depressed.

And then there is the theory that the crisis is caused by reduced demand for goods, especially lower wages and lower government spending. This theory says that the **level of consumption** determines the level of production; the crisis is said to be caused by "underconsumption." Marx showed that actually the **level of production** determines the ability to demand goods for consumption. When more value is produced, that generates more income for the workers to consume and more profits for the bosses to invest. The problem for the capitalists is: How to generate enough surplus value to keep investment high? If there is enough surplus value to keep production roaring along, there will be enough demand for the goods produced.

"Underconsumptionism" says that the way out of a crisis is through high government spending and high wages (these increase income and expand the market). This is similar to the theories put forward by a British economist, Keynes, in the 1930s. The "underconsumptionists" like Paul Sweezy of **Monthly Review** are much closer to Keynes' theories than to Marx's. "Underconsumptionism" says that economic crisis is all a matter of bad government policy—if we elect good governments that are willing to spend lots of money and raise wages, there will never be a crisis. This theory is very popular with revisionists; for example, the British "C" P. has made it the center of their political program. The fact is that **no government policies can eliminate crisis under capitalism** (although some policies might **postpone a crisis longer than other policies would.**)¹⁵ No matter what the government does, the anarchy of capitalist production and the need to automate production will eventually bring about a fall in the rate of profit. **There is only one way to get rid of economic crisis—that is to get rid of the system that produces those crises, namely the capitalist system. This can never be done without building the P.L.P., the revolutionary communist party in the U.S.A.**

The signs for the immediate future are unclear. Some capitalist economists

14. An example of how *both* the rate of profit *and* the value received by the workers can fall. Let's look at the Low-Wage Company again. Remember they had a plant which took 1,000,000 hours to build and required 1,000 workers who worked 2,000 hours a year, 50% for surplus labor and 50% for necessary labor. In other words, workers received goods each year with a value of 1,000 hours labor. Low-Wage's rate of profit was

$$\frac{1,000 \text{ workers} \times 1,000 \text{ hours}}{1,000,000 \text{ hours in capital}} = 100\%$$

Now 'Low-Wage' is building a new plant which will require 1,500,000 hours to build and which will take 500 workers to run. Low-Wage is able to cut the workers' share of the working day in half: now the workers work 500 hours a year in necessary labor and 1,500 hours for surplus labor. So the value received by the workers falls. What happens to the rate of profit? It is

$$\frac{500 \text{ workers} \times 1,500 \text{ hours surplus labor}}{1,500,000 \text{ hours in capital}} = 50\%$$

The profit rate fell, and so did the wage!

On the other hand, during periods of rapid capital accumulation, capitalists can increase profits while paying higher wages. The key is productivity. Marx showed that the main way the capitalists exploit workers is by increasing productivity and giving the workers only the crumbs of the gains (reducing the neces-

sary labor so that more time is left in the working day for surplus labor). As an example, the Japanese capitalists can compete very effectively with U.S. capitalists even though wages in Japan have gone up 9.6% per year from 1965 through 1974 after inflation while U.S. wages were rising only 0.8% per year. This is dramatic proof that Japanese business is increasing its productivity at a faster rate than is U.S. capital.

15. Government spending *can postpone* a crisis. When governments give money, lend money, or guarantee loans to business (like the \$250 million guarantee to the banks' loan to Lockheed, or the \$2 billion-plus loan to Conrail), the effect is like bank loans. Capitalists can keep on investing for a while with these funds. But eventually the interest payments absorb all the profits, since the rate of profit continues to fall. When the government borrows money to finance its spending, it helps stimulate the economy. But the government has to pay interest on these loans, and pretty soon the government has to raise taxes sky-high to pay the interest. Capitalists who pay the taxes object; government spending is cut and the economy is no longer stimulated. The result: the crisis erupts. This has happened in New York City, Philadelphia, and other major cities. In these cases, the banks acted as the disciplining agent. They refused to make more loans to city governments, forcing a reduction in city spending. The cause is the same: capitalists don't want the government taking a bigger share of surplus value, especially now that the profit rate is low.

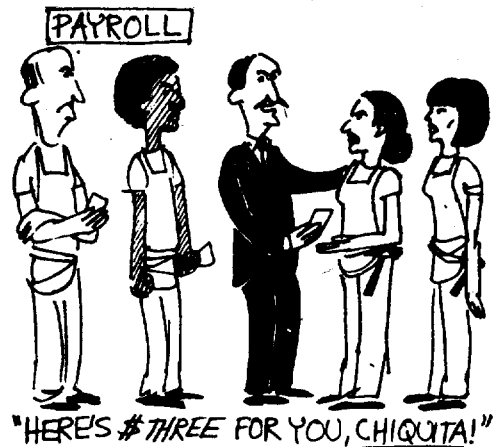
talk about another recession in 1979; N.Y. Senator Javits (the senator from Wall Street) feels that a major depression may come before 1980. Others speak about the economy muddling along at its present stagnation rate, with unemployment "dropping" only because people stop looking for work.

In any case, the basic contradictions underlying the current economic crisis have not been resolved at all. We can therefore be sure of two things:

1) There is no chance the economy is going to return to the rapid growth of the early 1960s in the near future. The trend is toward depression or prolonged stagnation. This can only further weaken U.S. imperialism relative to Soviet imperialism. World War is the result when the dominant imperialist is on the de-

cline and another imperialist is on the rise. World War is not to be feared—after all, the Russian Revolution grew out of World War I and the Chinese Revolution out of World War II. But we must be **prepared** for it.

2) Capitalism will never self-destruct. No matter how bad times get, capitalism is not going to fall apart. Workers are not going to spontaneously put down their tools and simultaneously rush out and seize state power. Economic crisis creates fertile ground for communist ideas, but we must spread those ideas. If we don't build the Party among the working class and its allies, then anti-communist ideas will spread—from defeatism and demoralization to open fascism. Our tasks lie before us; if we rise to the challenge, victory will be ours.



BOOK REVIEW

by J. Kay

Capitalism's Blood Harvest

Muscle and Blood — The massive, hidden agony of industrial slaughter in America.

by Rachel Scott

E.P. Dutton and Co. Inc. 1974. 306 pp. \$8.75

According to the 1972 "President's Report on Occupational Safety and Health," "There may be as many as 100,000 deaths per year from occupationally caused diseases, ... (and) at least 390,000 new cases of disabling occupational disease each year." Statistics on industrial "accidents" seem to be harder to get. While doing little or nothing to protect workers, management will routinely go to any lengths to deny that an accident has occurred after the fact. For example Michigan law requires that a company report industrial injuries by filing a particular form (Form 100) with the State, but as an attorney for Ford Motor Company explained "If we send in Form 100's for every injury out there, we'd just be doing paper work all the time." The book cites many examples of injured workers being encouraged or coerced to come in to work even if they can only sit or do some special, light job, just so the company can keep a "lost-time accident" off its record. Probably the grossest example of this is related by a worker at the Mobil Oil Refinery at Paulsboro, New Jersey—"There was a man named Green that got burned pretty bad... They brought him in there in an ambulance so they wouldn't get that lost time. That's been going on for twenty years."

Muscle and Blood consists of one horror story after another told with little or no comment except for occasional sarcasm about the lies told by some particular boss. A few workers are quoted who point out that the disease and injury to which they are subjected are the result of the bosses' drive for profits, but equal space is given to quotes from "labor leaders" and "labor lawyers" who contend that workers won't fight for each other or really don't care about health or safety. The point of the book seems to be that there are all these horrible

things going on in all industries, but there just isn't anything we can do but hope it will change someday. This shouldn't be too surprising since the research on which the book is based was supported in part by the Ford Foundation!

In spite of its defeatist tone, this book contains much information. Its simple, direct style makes easy reading.

At one level this book is useful—exposing the endless technical variations by which industry kills and cripples workers. At another level it becomes clear that unsafe working conditions are a matter of conscious policy at all levels of capitalist management. This policy follows directly from the nature of the capitalist beast, serving its needs so well that unsafe conditions can never be completely done away with until capitalism is done away with. Money put into safety and maintenance simply doesn't turn a profit.

In large corporations the unprofitability of safety is verified periodically. Every year at Chrysler, for example, the workmen's compensation lawyers prepare an estimate of how much money would have to be paid out for compensation claims during the next year. This figure is compared to the safety department's estimates of what it would take to make the plants safe. "And (according to a former Chrysler lawyer) it always turns out that the workmen's comp expense is less."

If the bosses applied their laws to themselves, this would have to be called conspiracy to commit murder; but under capitalism it's just good business.

The bare minimum to keep up production is put into maintenance. Virtually all of the "accident" cases which Scott describes were directly caused

by shoddily maintained equipment. Large sums of money which could better be used to improve working conditions are spent on propaganda to "prove" no improvement is necessary.

An elaborate example of this propaganda is the Industrial Health Foundation. The IHF (originally called the Air Hygiene Foundation) was started by a group of industrialists pressured by public outrage at the conditions at the Gauley Bridge Tunnel project in Gauley Bridge, West Virginia. Four thousand men worked on this 3-mile long tunnel from 1930 to 1936, and an estimated few hundred to 2000 of them died of silicosis. The bosses steadfastly denied silicosis existed on the job, but no one believed them. So they set up the "neutral" IHF, pumped in money, and hired a few unscrupulous "scientists" to make false studies pretending to disprove "recent misleading publicity about silicosis." Apparently they succeeded because at least as of 1974, 10% of the work force in Michigan foundries was being disabled by silicosis EVERY YEAR.

The IHF has also produced numerous studies over many years showing asbestos to be harmless. When laboratory rats were exposed to asbestos dust and 30% of them developed lung cancer, Dr. Gross (that's his real name!) concluded that the cancer was caused by trace elements from the hammer used to pound up the dust—The IHF is not something needed by a few exceptionally sadistic industries. By its second year of existence, the IHF had 192 member companies, by 1940, 225 member companies, and now has over 400 member companies including U.S. Steel, G.M., Ford, Standard Oil, G.E., General Mills, and Dow

Chemical.

The National Labor Relations Board is supposedly required by law to protect the right of workers to refuse work under "abnormally dangerous conditions." Now, if a worker is killed outright on the job, conditions must be abnormally dangerous. Right? Wrong! Several cases involving wildcat strikes resulting from the death or injury of a worker have been rejected by the NLRB on the grounds that conditions were not **abnormally dangerous**.

According to Jerome Brooks, a regional director of the NLRB in Michigan, if the Board stepped in every time an unsafe condition existed in a plant, "we'd be reaching into practically every shop in the country. wouldn't we?"

Of course, this is exactly what needs to be done but only a dictatorship of the proletariat where workers collectively would make and carry out the laws and manage production—could ever accomplish this. The book proves that we live under a ruthless dictatorship of the bosses. It documents the cold fact that profitability cannot live with "occupational health and safety" much less "workers' rights." It also shows that industrial workers still bloodily bear the major burden of capitalist society contrary to the opinion of the National Safety Council, it is on-the-job exploitation, not cars or homes, that racks up highest toll in death and disability. **Muscle and Blood** gives a mountain of evidence to affirm what communists know, that only a working-class revolution can reconstruct society for our basic needs.

To Contact PLP

National Office:
PROGRESSIVE LABOR PARTY
220 E. 23rd St. - 7th Floor
New York, N.Y. 10010

ARKANSAS:
Little Rock: Box 1562
Little Rock, Ark. 77203

CALIFORNIA:
Los Angeles: P.O. Box 20427
Los Angeles, Calif. 90006
San Diego: P.O. Box 14103
San Diego, Calif. 92114
San Francisco: P.O. Box 562
San Francisco, Calif. 94101
Sacramento: P.O. Box 5297
Sacramento, Calif. 95817

ILLINOIS:
Chicago: P.O. Box 7814
Chicago, Ill. 60880

INDIANA:
Gary: P.O. Box 2052
Gary, Ind. 46409

KANSAS:
Wichita: P.O. Box 3082
Wichita, Kansas 67201

MARYLAND:
Baltimore: P.O. Box 13426
Baltimore, Md. 21203

MASSACHUSETTS:
Boston: P.O. Box 512
Kenmore Station
Boston, Mass. 02215
Worcester: P.O. Box 185
West Side Station
Worcester, Mass.

MINNESOTA:
Minneapolis: P.O. Box 9524
Minneapolis, Minn. 55440

MICHIGAN:
Detroit: P.O. Box 85
Detroit, Mich. 48221
Lansing: P.O. Box 332
E. Lansing, Mich. 48823

MISSOURI:
St. Louis: P.O. Box 2915
St. Louis, Mo. 63130
Kansas City: P.O. Box 23021
Kansas City, Mo. 64141

NEW JERSEY:
Newark: P.O. Box 6085
Newark, N. J. 07106

NEW YORK:
Buffalo: P.O. Box 52
North Union, SUNYAB
Buffalo, N.Y. 14215
New York City: P.O. Box 808
Brooklyn, N.Y. 11201 - 7th Flr.
220 E. 23rd St. - N.Y.C. 10010
Suffolk County: P.O. Box 356
E. Setauket, N.Y. 11733

NORTH CAROLINA:
Durham: P.O. Box 3172
Durham, N.C. 27705

OHIO:
Cleveland: P.O. Box 2579
E. Cleveland, Ohio 44112
Columbus: P.O. Box 02074
Station B
Columbus, Ohio 43202

PENNSYLVANIA:
Philadelphia: P.O. Box 1224
Philadelphia, Pa. 19105
Pittsburgh: P.O. Box 4750
Pittsburgh, Pa. 15206

TEXAS:
Houston: P.O. Box 8510
Houston, Texas 77009

WASHINGTON:
Seattle: P.O. Box 24182
Seattle, Wash. 98124

WASHINGTON, D.C.:
P.O. Box 3081
Washington, D.C. 20010

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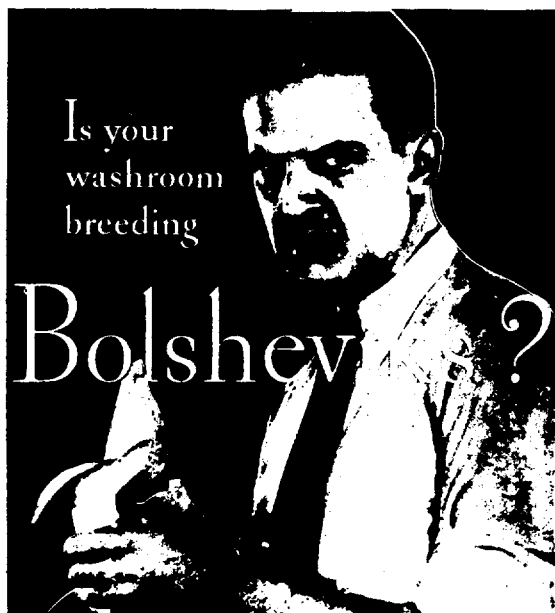


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